A photograph of the Idaho State Capitol building, a large, light-colored stone structure with a prominent dome and classical columns. The building is set against a clear blue sky. In the foreground, there is a well-maintained lawn with several young trees and a large, mature tree on the right side. A flower bed with pink and red flowers is visible in the lower foreground. The text "State of IDAHO" is overlaid on the top left of the image.

State of **IDAHO**

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2009**

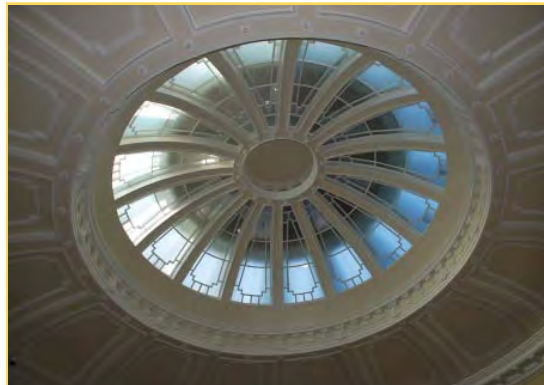
The People's House

Designed for a statewide population of 160,000, Idaho's Capitol served 1.5 million residents at the end of the 20th century. In 2007 construction on two underground wings and restoration of the inside of Idaho's Capitol began. The two new wings will provide an extra 50,000 square feet and the restoration will restore the Capitol to its original design. In addition to being the only state capitol heated by geothermal water, the 339 new double-glazed energy efficient windows help to make Idaho's Capitol one of the 'greenest' in the nation. The construction and restoration is being funded by cigarette taxes and is currently coming in on time and under budget.



The top of the rotunda holds 13 stars representing the 13 original colonies and 43 smaller stars indicating Idaho's acceptance into the Union as the 43rd state.

The glow from the Senate dome shows off the restored, curved original glass. This is the first historically accurate repainting of the plaster ceilings around the House and Senate domes.



"The great white light of conscience must be allowed to shine and by its interior illumination make clear the path of duty."

*- John E. Tourtellotte
Designer of Idaho's Capitol*



Four courses of lights with a total of 257 bulbs rise into the dome above the fourth floor.



State of
IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2009

C.L. "Butch" Otter
Governor

Donna M. Jones
State Controller

Prepared by the Office of the State Controller

This document and related information is available at www.sco.idaho.gov

State of Idaho

Office of the State Controller

Donna M. Jones

State Controller

ACKNOWLEDGMENTS:

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Joey Sanchez

Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration,
and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to
contribute accurate, timely financial data for their agencies make this report possible.

State of Idaho
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2009

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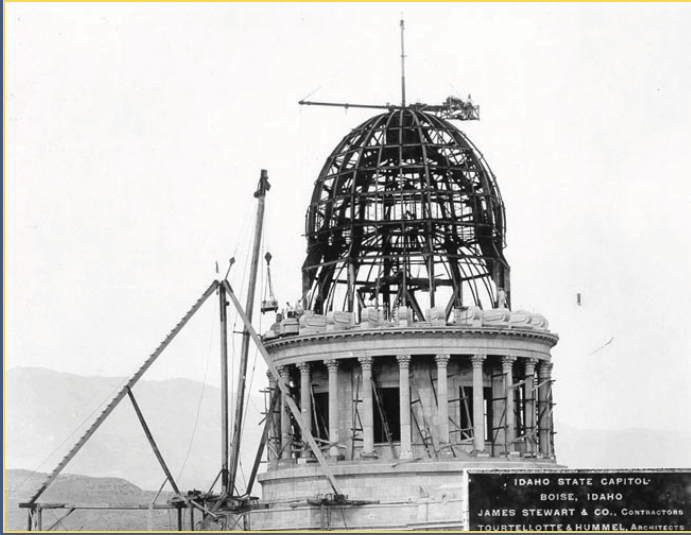
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Introductory Section

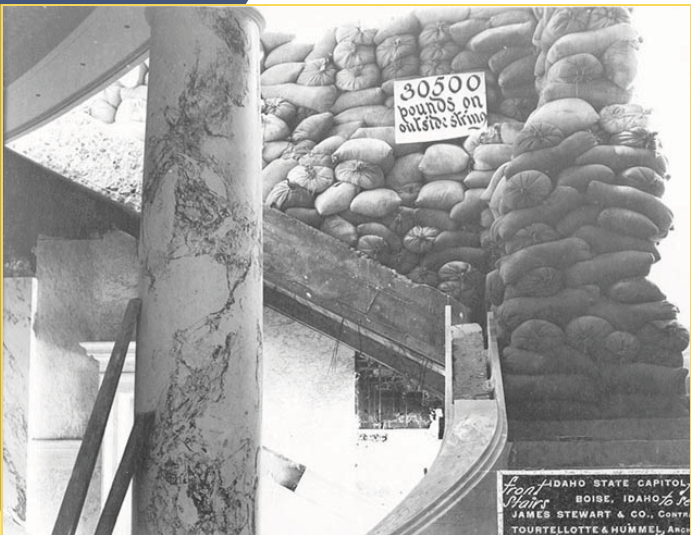


Initial construction of the Idaho Capitol began in the summer of 1905. The central section was completed in 1912. Construction of the east and west wings began in 1919 and was completed by the end of 1920.



Sandstone, the material used for the external portion of the Capitol, was obtained from a quarry on Table Rock in the Boise foothills. The State purchased the quarry and used inmates from the State Penitentiary, which was located just below the quarry, to cut and move the stone.

J.E. Tourtellotte and Company designed the center section of the Capitol, while Tourtellotte and Hummel, successor to the original firm, designed the east and west wings.





STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
Donna M. Jones

December 16, 2009

To: The Honorable C.L. "Butch" Otter, Governor
Members of the Legislature
Citizens of the State of Idaho

As the State's Chief Fiscal Officer, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009, in accordance with Idaho Code, Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position and results of state operations based upon the internal control structure established by management. The cost of internal controls should not outweigh their benefits; therefore, management designed the framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

In accordance with Idaho Code, Section 67-702, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2009. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Report is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal Single Audit Act of 1984 and the related Office of Management and Budget Circular No. A-133 in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The intent of this letter of transmittal is to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. The State covers 83,557 square miles, and is bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.5 million people.

State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. The governmental funds for which budgets are annually appropriated are general, special revenue, capital projects,

and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. The appropriate department must approve all claims presented for payment. The expenditure must be for a purpose intended by law, and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in the note to the required supplementary information and the separately issued Legal Basis Financial Report.

ECONOMIC CONDITION

Economy

Overall, the economy is showing signs of stabilization. While most economists believe the recession is over, the unemployment rate is expected to increase during the remainder of 2009 and to recede only gradually as the recovery takes hold. The unemployment rate increased from 6.6 percent in October 2008 to 8.9 percent in October 2009. The number of unemployed Idahoans has risen from nearly 27,000 to more than 67,000 since December 2007. Idaho paid out \$123.0 million in unemployment benefits in 2007. That number increased in 2008, and again in 2009 reaching nearly \$400 million. In the past three years, employers have paid less in taxes than was needed to pay benefits draining the trust fund used to pay unemployment benefits. Despite a recent tax rate increase to employers, the trust fund will see another deficit in 2010. To date, Idaho has borrowed \$75.0 million from the federal government to pay benefits to the unemployed, this amount is estimated to rise to \$210.0 million by the time the unemployment rate stabilizes.

Nonfarm employment fell in 2008 and is forecast to decline again in 2009 and 2010. This is the first time in almost thirty years that nonfarm employment has declined for three consecutive years. There were 647,931 jobs in 2008 compared to a low of 599,062 jobs estimated for 2010, which is the lowest number of jobs since 2005. Strained government budgets combined with slowing population growth will decrease Idaho's government employment over the next few years. Because of decreased revenue, funding for government employment has been drastically cut. On a positive note, employment in Idaho is expected to rise slightly, by about 1000 people in the second quarter of 2010, due to local hiring for the United States census.

Although Idaho's population is expanding, it is doing so at a decelerated rate. Prior to 2008, the State's population grew at or above 2 percent. During 2008 the population increased by a mere 1.8 percent. Population growth is expected to recover by 2012 reaching an estimated 1.6

million, up from just over 1.5 million in 2008. Economists estimate a 1 percent increase in 2010, and a 1.7 percent increase in 2011.

The Division of Financial Management's forecast shows Idaho's General Fund revenue declined 15.2 percent in fiscal year 2009 and will decline another 3.6 percent in fiscal year 2010; the first time it has declined for two consecutive years.

Goods-producing industries include manufacturing, mining, and construction. The largest of Idaho's goods-producing industries is manufacturing, which includes logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals. The current decade has been challenging for these industries.

In 2008 and 2009 computer and electronics jobs were shed at double-digit rates. Economists expect this sector's employment base to continue shrinking through 2011. Idaho's computer and electronic employment is predicted to fall from 14,298 jobs in 2008 to a low of 9,451 jobs in 2011 largely due to a soft forecast for business equipment investment.

The national housing downturn has placed a heavy toll on Idaho's logging and wood products industry. The decline in housing starts has led to the decline in lumber and wood products employment for the State. Housing starts should begin to rise in 2010, however, employment for this sector is expected to decline from 8,104 jobs in 2008 to 5,830 jobs in 2009; its lowest level since 1991. Although Idaho lumber and wood products employment is forecast to drop in 2009, it is expected to recover to 8,167 jobs by 2012.

The fall of the housing market has also affected Idaho's construction industry. Construction employment declined by 25 percent from the previous year; 3.8 percent higher than the rate forecast. Because of this drop, employment is expected to decline more steeply hitting its cyclical bottom with 28,938 jobs in the first quarter of 2011, compared to the high of 52,618 jobs in 2007. Although employment for this sector seems grim, the forecast would have been weaker if it were not for construction projects funded by federal stimulus dollars.

Idaho's mining sector has suffered employment declines due to the global recession and the outlook for tight credit. With mineral prices dropping, several mining companies have faced financial troubles. Sterling Mining ceased operations at the Sunshine Mine, while U.S. Silver cut its employees' pay 10 percent. Idaho metal ore mining production is forecast to decrease this year and next, causing mining employment to drop both years as well. Jobs are predicted to decrease from 2,743 in 2008 to an estimated 1,800 in 2010. Economists predict Idaho mining employment to begin growing in 2011, reaching just over 2,100 jobs in 2012.

Idaho's nongoods-producing employment faced a rare decline in 2009 but is forecast to experience modest growth in 2011. Although jobs are expected to increase in 2011, they will not reach the number of jobs in 2008, which was 535,607, until 2012 when the estimated number of jobs reaches 535,926. This sector consists of two main categories: services and trade.

Although the service sector is traditionally one of the State's most consistent job engines, it is on course to post its first year-over-year job decline on record. Reaching a high of 306,393 jobs in 2008, or about half of all the jobs in Idaho, it declined at an annual rate of 7.2 percent in the second quarter of 2009 and is estimated to end the year with 293,032 jobs. This sector is predicted to see a slight increase of 0.1 percent in 2010 and 1.7 percent in 2011.

Idaho trade employment accounted for 17 percent of total nonfarm employment last year despite decreasing employment rates. Employment declined 9.3 percent in the first quarter of 2009 and is predicted to reach a low of 101,582 jobs in 2010, shedding nearly 10,000 jobs since the recession began. On a positive note, forecasts show increases in 2010 and 2011 of 1.3 percent and 2.6 percent, respectively, bringing job totals to 105,655 in 2011.

Idaho's nominal personal income is expected to advance a modest 2.4 percent or \$50.1 million in 2010 while real personal income, which is adjusted for inflation, should grow to \$45.3 million or 1.1 percent. Idaho's real personal income decreased in 2008 and 2009 by 4.1 percent, but is forecast to increase by 1.1 percent in 2010 and 2 percent in 2011 to \$46.2 million. By the fourth quarter of 2011 real personal income is predicted to return to the level it was in 2007.

Long-Term Financial Planning

For the first time in budgeting history, Idaho's 2010 General Fund revenue is predicted to be less than the previous year for two consecutive years. In addition, the American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress and signed into law by the President. Reduced revenue combined with federal stimulus money made the State's 2010 budget-setting process the first of its kind. Permanent base reductions were incorporated into the fiscal year 2010 budget for all agencies, ranging from 2 to 6 percent, in addition to the overall 8 percent reductions made in fiscal year 2009. Federal funding from ARRA will help the State increase unemployment benefits; reduce Idaho's portion of Medicaid expenses; and provide funding for education, public safety, and other government services.

Financial Policies

Article VII of the Idaho Constitution allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of

economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through Idaho Code, Sections 57-814, 67-3520, and 33-907, maintains funds for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public education. The fiscal year 2009 ending fund balances in the reserve funds were as follows: budget stabilization fund, \$128.2 million; economic recovery fund, \$68.8 million; and public education stabilization fund, \$18.0 million.

Major Initiatives

Health and Human Services. The General Fund appropriation for the Department of Health and Welfare's 2010 budget was \$457.1 million, of which 67 percent is to be used for Medicaid. In addition, the Department was appropriated money from dedicated and federal funds for a total of \$2.0 billion. This is an overall increase of 5.3 percent from last year and is due entirely to federal funds. The largest portion of federal funds will help pay for weatherization, food stamps and administration, and child care and development.

Public Schools. The total appropriation for fiscal year 2010 was \$1.71 billion, an increase of 0.4 percent from the previous year. This slight increase was a result of federal stimulus dollars, which helped to ease the financial burden on Idaho's public schools. Although stimulus money helped cover budget gaps, salaries for administrators were reduced by 5 percent. Teachers and classified staff saw a 2.63 percent reduction. Appropriation bills include funding for 105 new support units, school supplies, and a review of the pupil transportation program. Federal dollars will help fund the Idaho Digital Learning Academy, the Idaho Safe and Drug-Free Schools program, the Idaho Reading Initiative, the Limited English Proficiency program, ISAT remediation, and the Idaho Math Initiative.

Transportation. The Legislature granted the Idaho Transportation Department a fourth consecutive year of bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance an additional \$82.0 million of highway transportation projects around the State. The Idaho Transportation Department will see an overall increase in their 2010 budget primarily due to federal stimulus dollars, revenue enhancement actions, and less GARVEE debt service required for fiscal year 2010. The Idaho Transportation Department's total appropriation for 2010 was \$538.6 million. Most of the additional revenue will be used by the Divisions of Contract Construction and Right-

of-Way Acquisition, Highway Operations, and Motor Vehicles.

Department of Correction. A total appropriation of \$169.6 million from state, dedicated, and federal funds is an overall reduction of \$27.2 million, or 13.8 percent. Savings will be achieved by slowing inmate population growth by providing alternatives to prison such as community based treatments, programs, and accelerated paroles. In addition, the State is housing inmates in Idaho rather than sending them out of state.

Superintendent of Public Instruction. The Superintendent of Public Instruction received a total appropriation of \$34.3 million for fiscal year 2010, an overall increase of 32.6 percent. The increase is due to the receipt a federal grant, which is to be used for the Longitudinal Data System and student assessment responsibilities including: the Idaho Standards Achievement Test (ISAT), the Idaho English Language Assessment (IELA), for limited English proficient students, and the National Assessment of Educational Progress.

Permanent Building Fund. The Legislature appropriated a total of \$27.4 million from the Permanent Building Fund, \$20.5 million for repair and maintenance projects, and \$6.9 million for four capital projects. The two largest projects include \$2.0 million for life/safety repairs on the Kibbie Dome at the University of Idaho and \$4.3 million for the remodel of Seiter Hall at North Idaho College.

Colleges and Universities. Although the appropriation for the four institutions in the State's college and university system reflected an 11.9 percent reduction from the General Fund, the appropriation included \$13.7 million in federal stimulus dollars. Those dollars will be spent for faculty and staff at the Center for Advanced Energy Studies and for the Center for Livestock and Environmental Studies at the University of Idaho.

Office of Drug Policy. For fiscal year 2010, \$6.1 million was appropriated for statewide substance abuse services. In addition, the Legislature supported a distribution of \$5.0 million from the Millennium Fund for programs that assist with the prevention and cessation of drug and tobacco use.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This is the twelfth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles

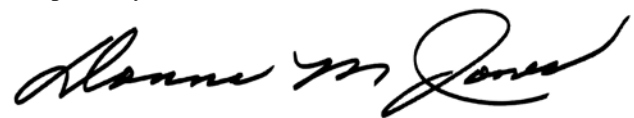
and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2008. This is the eleventh consecutive year the State has received this prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

The Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last eighteen years. The PERSI also received GFOA's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2008.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Otter and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,



Donna M. Jones
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

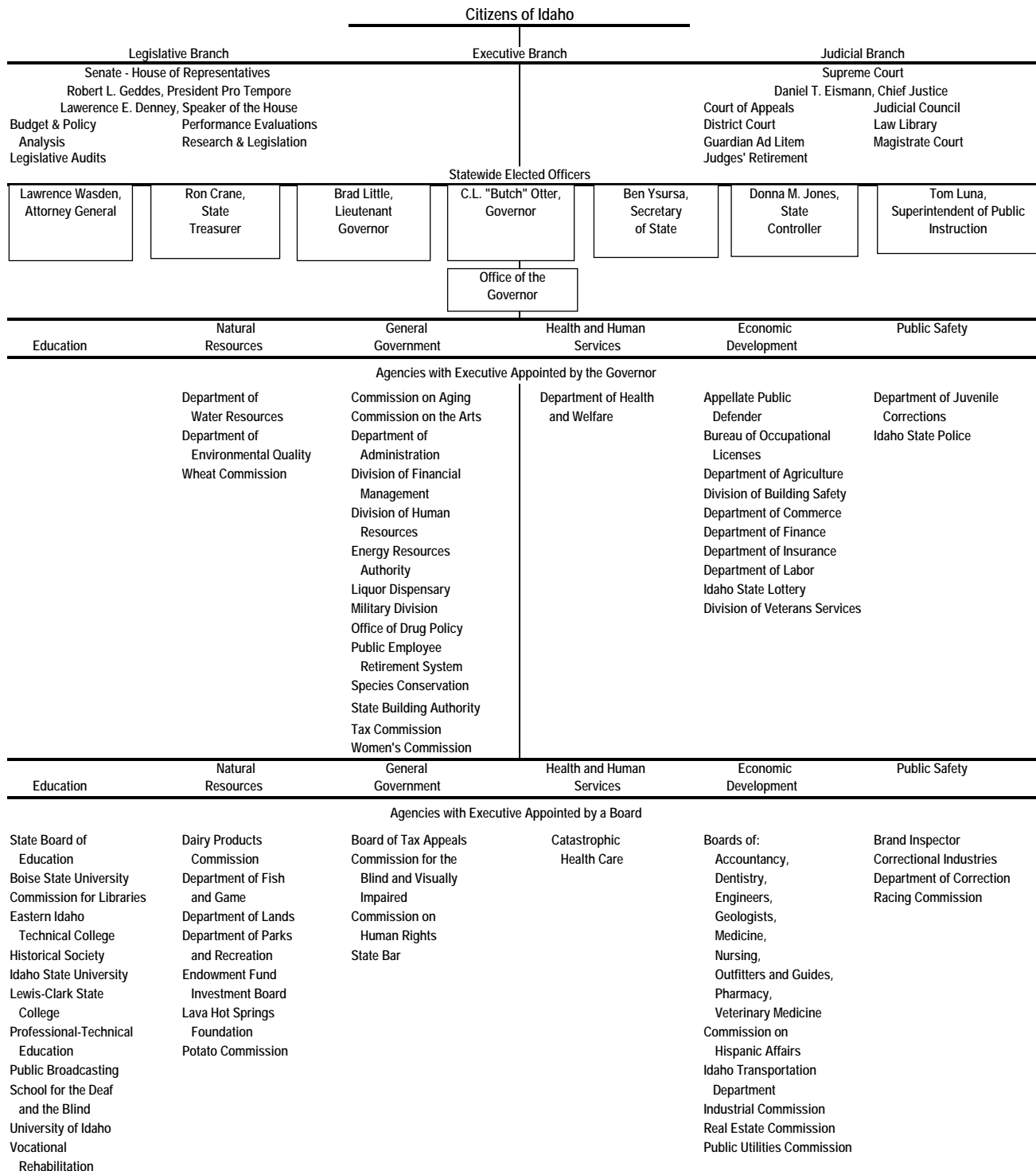
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



2009 Organization Chart
Idaho State Government
State Agencies Based on Gubernatorial Appointment Authority



Prepared by the Division of Financial Management; modified by the Office of the State Controller.

Elected Officials of the State of Idaho



C.L. "Butch" Otter
Governor



Ben Ysursa
Secretary of State



Donna M. Jones
State Controller



Brad Little
Lieutenant Governor



Ron Crane
State Treasurer



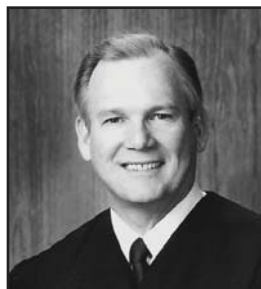
Lawrence Wasden
Attorney General



Tom Luna
*Superintendent of
Public Instruction*



Lawrence E. Denney
*Speaker,
Idaho House of
Representatives*



Daniel Eismann
*Chief Justice,
Idaho Supreme Court*



Robert L. Geddes
*President,
Pro Tempore
Idaho State Senate*

Financial Section

State Controller Donna Jones and Deputy Controller Scott Phillips check out a newly uncovered century-old elevator. During the restoration, construction workers uncovered an ornate elevator from behind a bookcase in a closed-off elevator shaft. The Otis elevator was built around 1900 and despite some dust, its buttons, bell, and brass filigree were undamaged.



Located in the State Treasurer's office, this original vault containing a large safe made by the Manganese Steel Safe Co. of New York is still in use.



Located in the garden level of the Capitol, this safe was made by the Diebold Safe and Lock Company of Canton Ohio.



Original circular stairway in the central rotunda dome. The stairway leads to the attic of the dome where a convex plaster disc is suspended from the apex. Visitors from the first through fourth floors will be able to see the recently cleaned disc which hosts 43 stars on a blue background.



Legislative Services Office

Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 16, 2009

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Donna M. Jones, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2009, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	15.8%	1.1%
Primary Government - Business-Type Activities	70.4%	66.3%
Aggregate Discretely Presented Component Units	100.0%	100.0%
 <u>Fund Financial Statements</u>	 <u>Percent of Assets</u>	 <u>Percent of Revenues</u>
Governmental Funds and Land Endowments	100.0%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	75.7%	29.6%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
www.legislature.idaho.gov

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Housing and Finance Association, Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and University of Idaho and their respective component units were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 98 through 103, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in black ink, appearing to read 'Don H. Berg', with a stylized flourish extending from the end of the signature.

Don H. Berg, CGFM, Manager
Legislative Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the State of Idaho for the fiscal year ended June 30, 2009. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State's primary government exceeded its liabilities for the fiscal year ended June 30, 2009, by \$8.5 billion (reported as net assets). Of this amount, \$960.8 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2009 the State's total net assets decreased by \$540.5 million. Net assets of governmental activities decreased by \$402.0 million, while net assets of business-type activities decreased by \$138.5 million.

Fund Highlights

At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2.2 billion, with \$1.1 billion reserved for specific purposes and \$1.1 billion unreserved. This includes the General Fund's unreserved fund balance of \$631.4 million.

Long-Term Debt

The State's long-term debt increased \$133.5 million from \$880.0 million in fiscal year 2008 to \$1.0 billion in fiscal year 2009. The key factors in this increase were bonds and notes issued by the Idaho Transportation Department, the Unemployment Compensation fund, and the colleges and universities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities; which report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to a private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate from and financially accountable to the State; or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, and the Idaho Bond Bank Authority.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements and capabilities. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and capital projects funds.

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service

funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- Budgetary comparison schedules reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements
- Condition and maintenance data regarding the State's infrastructure reported using the modified approach
- Schedules of funding progress and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by \$8.5 billion for the most recent

fiscal year. The State's combined net assets decreased \$540.5 million over the course of this fiscal year's operations. Net assets of governmental activities decreased \$402.0 million and business-type activities net assets decreased \$138.5 million.

Net Assets
June 30, 2009 and 2008
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008*	2009	2008*	2009	2008*
Current and Other Assets	\$3,577,268	\$4,300,819	\$1,127,659	\$1,274,764	\$4,704,927	\$5,575,583
Capital Assets	5,234,661	4,885,243	1,002,809	957,410	6,237,470	5,842,653
Total Assets	8,811,929	9,186,062	2,130,468	2,232,174	10,942,397	11,418,236
Other Liabilities	1,038,059	1,076,101	197,502	196,123	1,235,561	1,272,224
Long-Term Liabilities	723,219	657,273	533,436	498,071	1,256,655	1,155,344
Total Liabilities	1,761,278	1,733,374	730,938	694,194	2,492,216	2,427,568
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,721,700	4,450,353	560,232	516,949	5,281,932	4,967,302
Restricted	1,566,748	1,950,190	640,725	830,375	2,207,473	2,780,565
Unrestricted	762,203	1,052,145	198,573	190,656	960,776	1,242,801
Total Net Assets	\$7,050,651	\$7,452,688	\$1,399,530	\$1,537,980	\$8,450,181	\$8,990,668

*These columns have been restated. More detailed information can be found in Note 13.

The largest component of the State's net assets, 62.5 percent (\$5.3 billion), reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending. Capital assets increased \$394.8 million during the year mainly due to highway improvements, the Capitol restoration, and various state building additions and improvements.

Restricted net assets are the next largest component, comprising 26.1 percent (\$2.2 billion). These resources

are not available for general use due to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 11.4 percent (\$960.8 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year, the State reported positive balances in all three categories of net assets for the State as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2009	2008*	2009	2008*	2009	2008*	
Revenues							
Program Revenues							
Charges for Services	\$614,306	\$657,119	\$767,667	\$754,366	\$1,381,973	\$1,411,485	(2.1)
Operating Grants and Contributions	2,034,795	1,955,236	293,673	244,954	2,328,468	2,200,190	5.8
Capital Grants and Contributions	8,892	906	21,154	29,478	30,046	30,384	(1.1)
General Revenues							
Sales Tax	1,177,106	1,334,032			1,177,106	1,334,032	(11.8)
Individual and Corporate Taxes	1,320,968	1,599,881			1,320,968	1,599,881	(17.4)
Other Taxes	400,602	414,660			400,602	414,660	(3.4)
Other	67,233	80,168			67,233	80,168	(16.1)
Total Revenues	5,623,902	6,042,002	1,082,494	1,028,798	6,706,396	7,070,800	(5.2)
Expenses							
General Government	450,875	463,125			450,875	463,125	(2.6)
Public Safety and Correction	326,125	324,843			326,125	324,843	0.4
Health and Human Services	2,115,148	1,818,932			2,115,148	1,818,932	16.3
Education	1,850,258	1,796,160			1,850,258	1,796,160	3.0
Economic Development	743,811	756,677			743,811	756,677	(1.7)
Natural Resources	241,108	243,925			241,108	243,925	(1.2)
Interest Expense	46,767	45,530			46,767	45,530	2.7
College and University			896,993	875,586	896,993	875,586	2.4
Unemployment Compensation			338,600	171,918	338,600	171,918	97.0
Loan			5,910	2,267	5,910	2,267	160.7
State Lottery			105,780	102,065	105,780	102,065	3.6
Liquor Dispensary			117,185	112,476	117,185	112,476	4.2
Correctional Industries			8,323	7,574	8,323	7,574	9.9
Total Expenses	5,774,092	5,449,192	1,472,791	1,271,886	7,246,883	6,721,078	7.8
Increase (Decrease) in Net							
Assets before Transfers	(150,190)	592,810	(390,297)	(243,088)	(540,487)	349,722	(254.5)
Transfers	(251,847)	(264,027)	251,847	264,027	0	0	
Change in Net Assets	(402,037)	328,783	(138,450)	20,939	(540,487)	349,722	(254.5)
Net Assets, Beginning							
of Year, as Restated	7,452,688	7,123,905	1,537,980	1,517,041	8,990,668	8,640,946	4.0
Net Assets, End of Year	\$7,050,651	\$7,452,688	\$1,399,530	\$1,537,980	\$8,450,181	\$8,990,668	(6.0)

*These columns have been restated. More detailed information can be found in Note 13.

The Total Percent Change column shows the percentage change in operations from fiscal year 2008 to 2009 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., 160.7 percent for the Loan fund of \$3.6 million), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., 16.3 percent for Health and Human Services of \$296.2 million).

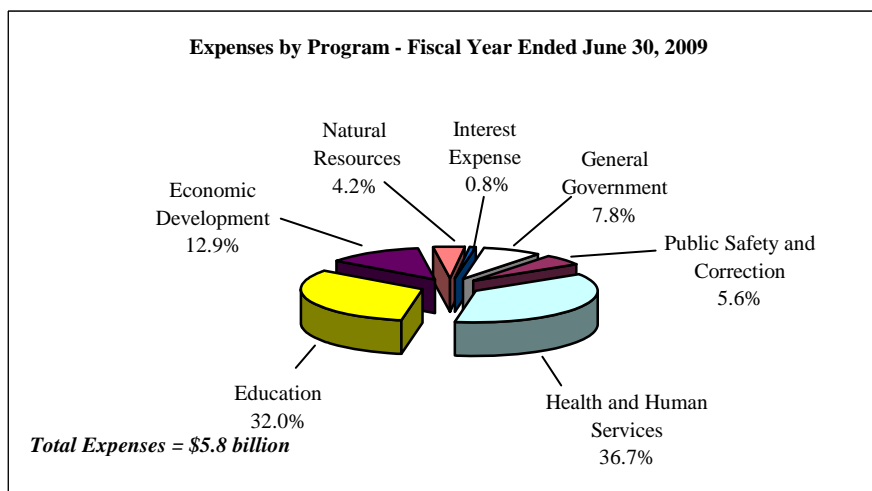
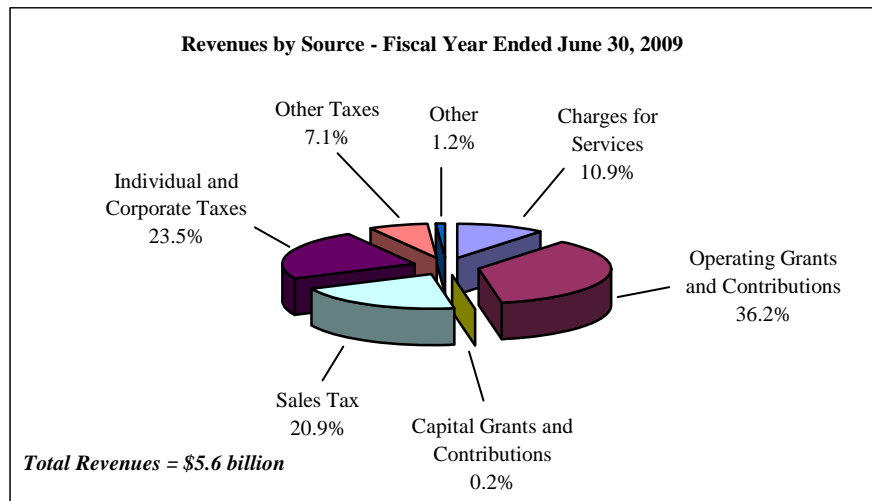
Governmental Activities

The overall financial position for Governmental Activities deteriorated during the fiscal year, as evidenced by the \$402.0 million decrease in net assets. The key elements of this decrease were a 17.4 percent decrease (\$278.9 million) in individual and corporate tax revenue; an 11.8 percent decrease (\$156.9 million) in sales tax revenue; and a 6.5 percent decrease (\$42.8 million) in charges for services related mainly to the decrease in fair market value of investments throughout most governmental funds. These decreases were offset in part by a 4.1 percent increase (\$79.6 million) in operating grants and contributions revenues, primarily

from federal grant revenue for health care assistance and education.

Health and Human Services expenses increased during the year by 16.3 percent (\$296.2 million) due to greater medical assistance payments, mainly related to Medicaid and rehabilitation services. Education expenses increased by 3 percent (\$54.1 million) due to an increased public school distribution for operating expenses. General Government expenses decreased by 2.6 percent (\$12.3 million) primarily due to legislative changes to retiree health care benefits.

The following charts depict revenues and expenses of the governmental activities:

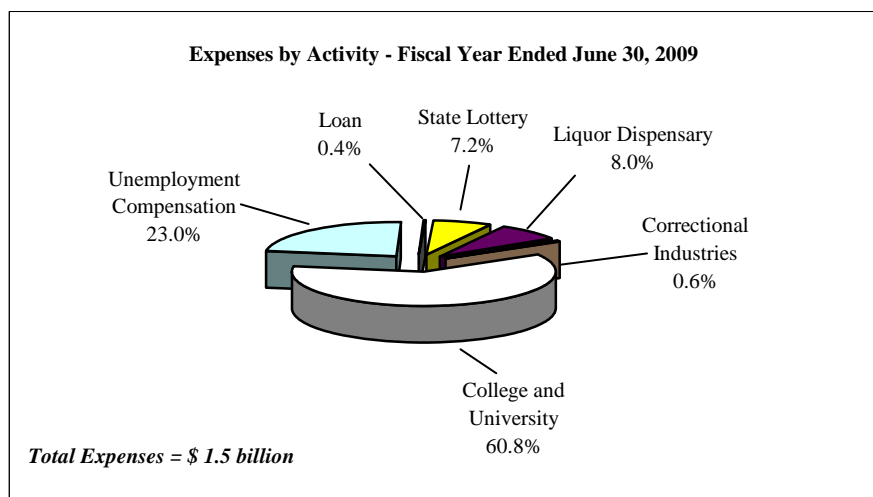
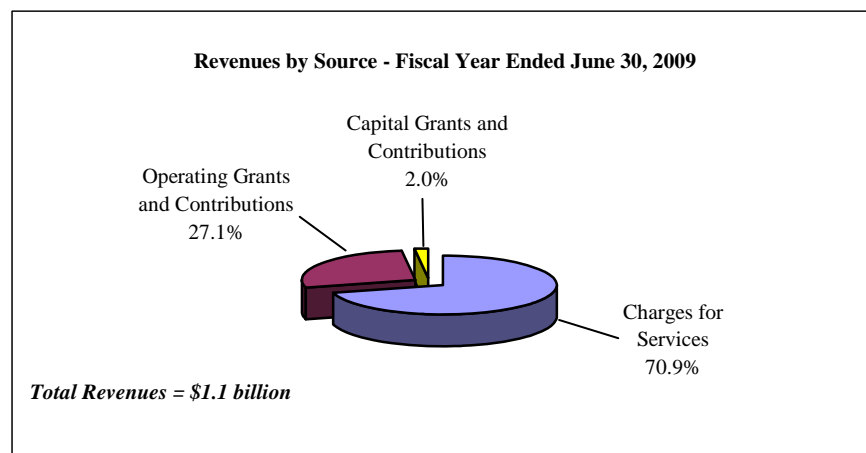


Business-Type Activities

Net assets for Business-type activities decreased by \$138.5 million in fiscal year 2009. The largest changes were seen in the following funds:

- The Unemployment Compensation fund net assets decreased by \$187.4 million primarily due to a \$166.9 million increase in unemployment compensation benefits as the slowdown in the national economy affected Idaho's economy. This decrease was offset in part by an increase of \$30.3 million in federal grant revenue for unemployment benefits.
- Loan fund net assets increased by \$36.8 million primarily due to an increase in federal grants of \$9.1 million to provide loans to municipalities to make improvements to wastewater and drinking water systems. Grant revenues were offset in part by an increase in services and supplies expense of \$3.9 million.
- College and University fund net assets increased by \$11.3 million primarily due to an increase of \$17.5 million in student tuition and fees, and an increase of \$7.4 million in transfers in from the State's General Fund. These increases were offset in part by an increase of \$22.6 million in personnel costs; an increase of \$6.5 million in scholarships and fellowships; and a decrease of \$10.0 million in investment income, primarily due to a decrease of \$12.8 million in the fair market value of investments.

The following charts depict revenues and expenses of the business-type activities:



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

At the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$2.2 billion, a decrease of \$691.7 million in comparison with the prior fiscal year. Of the \$2.2 billion, \$1.1 billion (52.4 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance, \$1.1 billion (47.6 percent), is reserved to indicate that it is not available for new spending because it has been reserved for various commitments such as bond retirement, liquidation of purchase orders and contracts of the prior period, and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was \$631.4 million and reserved fund balance was \$116.6 million. Total fund balance decreased \$431.3 million (36.6 percent) during the fiscal year primarily as a result of decreased individual and corporate income tax of \$261.7 million, sales tax revenue of \$158.2 million, investment income of \$28.0 million, an increase of \$56.2 million in education expenses, and an increase of \$46.8 million in capital expenditures. Intergovernmental revenue sharing decreased by \$13.8 million, mainly due to reduced sales tax revenue.

Health and Welfare's fund balance decreased \$20.1 million during the fiscal year primarily as a result of increased expenditures of \$319.7 million due to greater Medicaid and rehabilitation services and income assistance payments and a decrease of \$40.2 million transferred in from the General Fund. These decreases were offset in part by an increase of \$318.6 million in federal grant revenue.

Transportation's fund balance decreased \$11.5 million during the current fiscal year primarily as a result of a decrease of \$63.3 million in federal grants for highway improvements. The decrease in revenue was offset in part by a decrease of \$41.6 million in capital outlay expenditures. (The proceeds and expenditures from Grant Anticipation Revenue Vehicle (GARVEE) bonds are reported separately as a capital projects fund in the nonmajor governmental funds, described below.)

Land Endowments' fund balance decreased \$205.5 million in the current fiscal year, due mainly to a \$175.0 million decrease in the fair market value of investments, primarily due to a decline in equity prices associated with the economic downturn and an unprecedented liquidity crisis in fixed income markets.

Nonmajor governmental fund balances decreased by \$23.3 million during the fiscal year, mainly due to increased capital expenditures of \$62.9 million for transportation infrastructure and \$15.2 million for state buildings. In addition, \$151.0 million in notes payable were issued for highway projects and \$1.7 million in bonds were issued for state buildings. Expenditures were offset by an increase of federal grant revenue of \$33.0 million, related mainly to education and miscellaneous programs.

Proprietary Funds

Proprietary funds provide the same type of information found in the Business-Type Activities columns of the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund cash balance carried forward from fiscal year 2008 was \$248.8 million. The General Fund revenue forecast for fiscal year 2009 of \$3.0 billion was revised downward by \$451.5 million (15 percent) to \$2.6 billion. Actual revenue collections for the General Fund of \$2.5 billion fell short of the legislatively accepted forecast by \$94.8 million. Overall, the fiscal year 2009 collections were 15.3 percent lower than the previous year. The cash balance carried over into fiscal year 2010 was \$13.4 thousand.

The General Fund Budgetary Comparison Schedule for fiscal year 2009 shows an original expenditures budget of \$3.4 billion, which is a 2.9 percent increase over the previous year's \$3.3 billion. However, the rapidly changing economic situation led to uncertain revenue projections and the Legislature cut agency budgets by \$182.4 million. Public schools were kept harmless from budget cuts by using \$85.1 million from the Public Education Stabilization Fund to maintain original appropriation levels. The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is \$59.1 million, a 1.7 percent decrease in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable \$172.4 million (5.1 percent).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009 the State had \$6.2 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below.

Depreciation charges for this fiscal year totaled \$108.1 million.

Capital Assets as of June 30, 2009 and 2008

(Net of depreciation, dollars in thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2009	2008	2009	2008*	2009	2008*
Land	\$973,479	\$948,599	\$70,865	\$68,800	\$1,044,344	\$1,017,399
Construction in Progress	1,088,195	968,930	56,950	73,337	1,145,145	1,042,267
Infrastructure--not Depreciated	2,030,524	1,919,944			2,030,524	1,919,944
Historial Art and Collections	122	122	2,158	2,144	2,280	2,266
Intangible Assets			24,382	44,382	24,382	44,382
Buildings and Improvements	435,138	409,521	730,153	654,398	1,165,291	1,063,919
Improvements Other Than Buildings	47,924	41,845	20,738	21,568	68,662	63,413
Machinery, Equipment, and Other	132,556	125,370	97,563	92,781	230,119	218,151
Infrastructure--Depreciated	526,723	470,912			526,723	470,912
Total	\$5,234,661	\$4,885,243	\$1,002,809	\$957,410	\$6,237,470	\$5,842,653

*These columns have been restated. More detailed information can be found in Notes 6 and 13.

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was \$394.8 million, or 6.8 percent. This year's major additions include \$432.3 million spent for infrastructure assets, which includes construction in progress of \$213.1 million, roadways of \$122.7 million, rights-of-way of \$24.8 million, and bridges and ports of entry of \$71.7 million.

The State uses the traditional method of depreciation for its 1,761 bridges and 39 rest areas or ports of entry. The State has adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed, and depreciation expense is not reported. Approximately 11,944 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (good). A roadway surface is considered substandard under this approach at less than 2.0. The State's established condition level is to have no more than 18 percent of road surfaces in substandard condition. The latest condition assessment rating showed that the State had 80 percent of its road surfaces in good or fair condition, down from 81 percent in condition assessment year 2007. During fiscal year 2009 the State spent \$103.7 million to maintain Idaho's road surfaces. This amount is 22 percent (\$18.7 million)

above the estimated amount of \$85.0 million to maintain Idaho's road surfaces. Infrastructure preservation and restoration is a priority for the State. As a result of this focus, the Idaho Transportation Department has provided all available funds to meet these goals. Despite this best effort, funding has not kept up with increasing costs and needs. The Idaho Transportation Department is working with the Governor's Office and the Idaho Legislature to identify the options and appropriate funding for transportation needs in Idaho. In addition, the condition level of state roadways will be reviewed and set at the appropriate level. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in the notes to the required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the Idaho Constitution, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law, and which have no power to levy taxes or obligate the General Fund of the State, are not debts or liabilities of the State.

Idaho Code, Title 40, addresses the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the Idaho Constitution.

New debt resulted mainly from the Idaho Transportation Department issuing \$151.0 million in notes payable for highway projects; colleges and universities issuing revenue bonds of \$42.6 million to refund several outstanding bonds and to fund designated projects; and the Idaho Department of Labor issuing \$27.0 million in notes payable for unemployment compensation benefits.

Moody's Investors Service assigned the State of Idaho an issuer rating of Aa2, with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. Appropriation-backed lease rental debt issued by the Idaho State Building Authority is rated Aa3, with a stable outlook. The State's conservative debt policies have led to modest state debt levels, falling well below national medians; however, the transportation debt program will increase state debt significantly in the next few years. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Idaho's economy is experiencing the results of turmoil in national and global financial markets and a slowing of statewide employment. In October 2009 Idaho's unemployment rate jumped to 8.9 percent. Except for health care, every major sector of Idaho's economy, including government, had fewer jobs in October than last year. The number of Idaho workers without jobs rose to a record 67,300 as employers held October hiring to the lowest level since record-keeping began in 1998, and 22 percent below 2008's previous low for October.

Over \$43.0 million in state and federal unemployment benefits were paid to a weekly average of 37,300 jobless

workers during October. Half the workers signing up for benefits are exhausting their regular state allotment without finding jobs and moving onto federal benefits. At the end of June federal benefits accounted for less than 42 percent of total benefit payments in Idaho. Since then the federal share has risen to over 55 percent. Over 2,300 Idaho workers have already used up all their benefits—state and federal—and more than 100 workers a week are joining that group.

On February 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009 at the urging of President Obama. A direct response to the economic crisis, the Recovery Act's goals are to create new jobs as well as save existing ones, spur economic activity and invest in long-term economic growth, and foster unprecedented levels of accountability and transparency in government spending. Of the total \$787.0 billion in Recovery funds, Idaho was awarded \$491.7 million (\$232.4 million for education, \$51.0 million for health and human resources, \$76.7 million for natural resources, \$66.4 million for economic development, \$56.3 million for general government, and \$8.9 million for public safety). Idaho information related to the American Recovery and Reinvestment Act of 2009 can be obtained at <http://accountability.idaho.gov>.

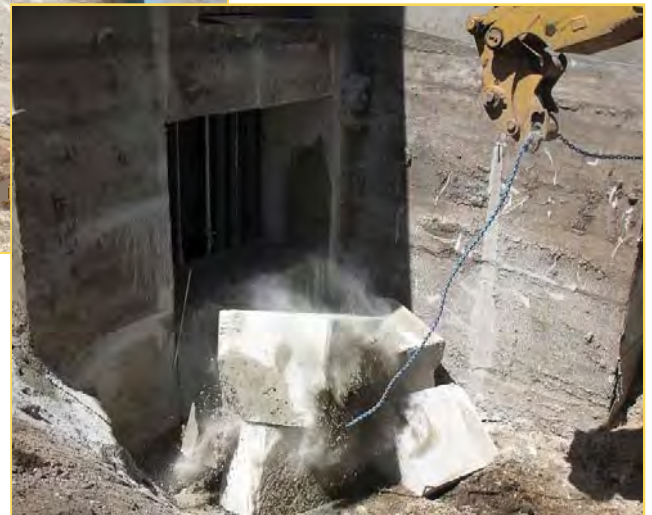
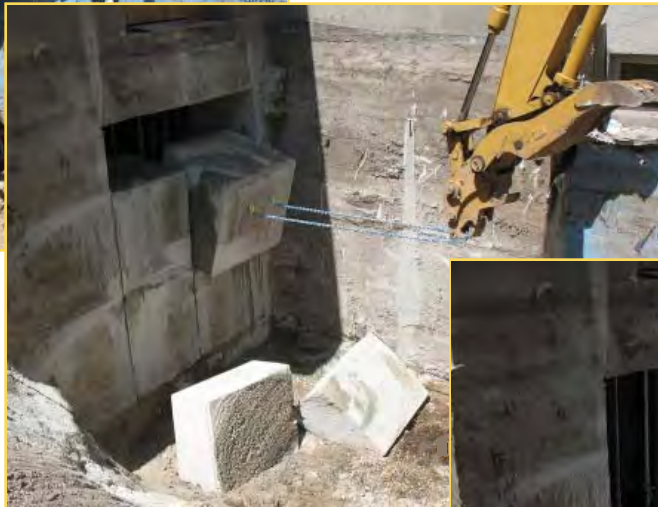
The economic uncertainty and a decline in tax collections prompted Governor C.L. "Butch" Otter to order state budget reductions of \$98.9 million from the General Fund for fiscal year 2010. The budget reduction is tiered and applies to most departments, agencies, and institutions of the Executive Branch that report to the Governor, and which draw support from the General Fund. Additionally, the constitutional officers and the court system agreed to join in the budget reductions.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

Sitting one story below street level, this diamond-tipped wire saw was used to open the new southern entrances to the Capitol.



After the concrete was cut, the 42-inch thick blocks were removed from the old basement wall to make way for a new path which will allow visitors to enter the building directly through the new garden level.

Photos courtesy of the Idaho Capitol Commission

State of Idaho**Statement of Net Assets****June 30, 2009***(dollars in thousands)*

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$12,516	\$109,712	\$122,228
Pooled Cash and Investments	920,080	79,765	999,845
Investments	1,101,688	238,595	1,340,283
Securities Lending Collateral	599,673	68,006	667,679
Accounts Receivable, Net	102,689	116,217	218,906
Taxes Receivable, Net	279,350		279,350
Internal Balances	2,563	(2,563)	
Due from Other Entities	282,623		282,623
Inventories and Prepaid Items	46,062	20,455	66,517
Due from Primary Government			
Due from Component Unit		64,618	64,618
Loans, Notes, and Pledges Receivable, Net	15,387	272,667	288,054
Other Assets	7,910	13,493	21,403
Restricted Assets:			
Cash and Cash Equivalents	127,728	84,139	211,867
Investments	78,999	62,555	141,554
Capital Assets:			
Nondepreciable	4,092,320	154,355	4,246,675
Depreciable, Net	1,142,341	848,454	1,990,795
Total Assets	\$8,811,929	\$2,130,468	\$10,942,397
LIABILITIES			
Accounts Payable	\$114,553	\$35,704	\$150,257
Payroll and Related Liabilities	33,851	35,497	69,348
Medicaid Payable	139,892		139,892
Due to Other Entities	60,944	4,680	65,624
Unearned Revenue	32,339	40,640	72,979
Amounts Held in Trust for Others	8,199	2,203	10,402
Due to Primary Government			
Due to Component Unit		404	404
Obligations Under Securities Lending	600,962	68,006	668,968
Other Accrued Liabilities	47,319	10,368	57,687
Long-Term Liabilities:			
Due Within One Year	180,044	42,880	222,924
Due in More Than One Year	543,175	490,556	1,033,731
Total Liabilities	1,761,278	730,938	2,492,216
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,721,700	560,232	5,281,932
Restricted for:			
Claims and Judgments	83,659		83,659
Debt Service	8,558	553	9,111
Intergovernmental Revenue Sharing	14,735		14,735
Transportation	156,710		156,710
Regulatory	60,263		60,263
Natural Resources and Recreation	80,738	330,354	411,092
Unemployment Compensation		112,686	112,686
Permanent Trust - Expendable	205,397	100,119	305,516
Permanent Trust - Nonexpendable	834,251	62,392	896,643
Other Purposes	122,437	34,621	157,058
Unrestricted	762,203	198,573	960,776
Total Net Assets	7,050,651	1,399,530	8,450,181
Total Liabilities and Net Assets	\$8,811,929	\$2,130,468	\$10,942,397

Component Units	
	\$31,692
	545
	1,026,627
	11,833
	24
	2,383
	218,248
	1,746,810
	73,255
	39,701
	2,790
	4,421
	38,542
	<u>\$3,196,871</u>
	\$2,605
	709
	21,619
	34,457
	64,618
	181,542
	84,982
	2,360,185
	<u>2,750,717</u>
	7,196
	96,379
	95,625
	170,529
	1,607
	74,818
	<u>446,154</u>
	<u>\$3,196,871</u>

State of Idaho**Statement of Activities****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$450,875	\$93,376	\$55,919	\$8,258
Public Safety and Correction	326,125	30,925	15,663	139
Health and Human Services	2,115,148	89,487	1,487,968	
Education	1,850,258	11,196	246,626	391
Economic Development	743,811	256,184	339,114	8
Natural Resources	241,108	133,138	(110,495)	96
Interest Expense	46,767			
Total Governmental Activities	5,774,092	614,306	2,034,795	8,892
Business-Type Activities				
College and University	896,993	339,989	235,470	21,154
Unemployment Compensation	338,600	130,879	34,046	
Loan	5,910	14,513	24,157	
State Lottery	105,780	140,316		
Liquor Dispensary	117,185	132,999		
Correctional Industries	8,323	8,971		
Total Business-Type Activities	1,472,791	767,667	293,673	21,154
Total Primary Government	\$7,246,883	\$1,381,973	\$2,328,468	\$30,046
Component Units				
Idaho Housing and Finance Association	\$132,172	\$97,648	\$2,577	
College and University Foundation	48,699	4,507	27,701	
Petroleum Clean Water Trust Fund	1,785	3,238		
Health Reinsurance	12,279	5,194	967	
Bond Bank Authority	5,642	5,656		
Total Component Units	\$200,577	\$116,243	\$31,245	

GENERAL REVENUES

Sales Tax
Individual and Corporate Taxes
Fuel Tax
Other Taxes
Tobacco Settlement
Unrestricted Investment Earnings
Payments from State of Idaho

Permanent Endowment Contributions**Transfers****Total General Revenues, Contributions, and Transfers****Change in Net Assets****Net Assets - Beginning of Year, as Restated****Net Assets - End of Year**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$293,322)		(\$293,322)	
(279,398)		(279,398)	
(537,693)		(537,693)	
(1,592,045)		(1,592,045)	
(148,505)		(148,505)	
(218,369)		(218,369)	
(46,767)		(46,767)	
(3,116,099)		(3,116,099)	
	(\$300,380)	(300,380)	
	(173,675)	(173,675)	
	32,760	32,760	
	34,536	34,536	
	15,814	15,814	
	648	648	
	(390,297)	(390,297)	
(3,116,099)	(390,297)	(3,506,396)	
			(\$31,947)
			(16,491)
			1,453
			(6,118)
			14
			(53,089)
1,177,106		1,177,106	
1,320,968		1,320,968	
214,113		214,113	
186,489		186,489	
31,094		31,094	
36,139		36,139	
			7,390
			5,980
(251,847)	251,847		
2,714,062	251,847	2,965,909	13,370
(402,037)	(138,450)	(540,487)	(39,719)
7,452,688	1,537,980	8,990,668	485,873
\$7,050,651	\$1,399,530	\$8,450,181	\$446,154

*State of Idaho***Balance Sheet****Governmental Funds****June 30, 2009***(dollars in thousands)*

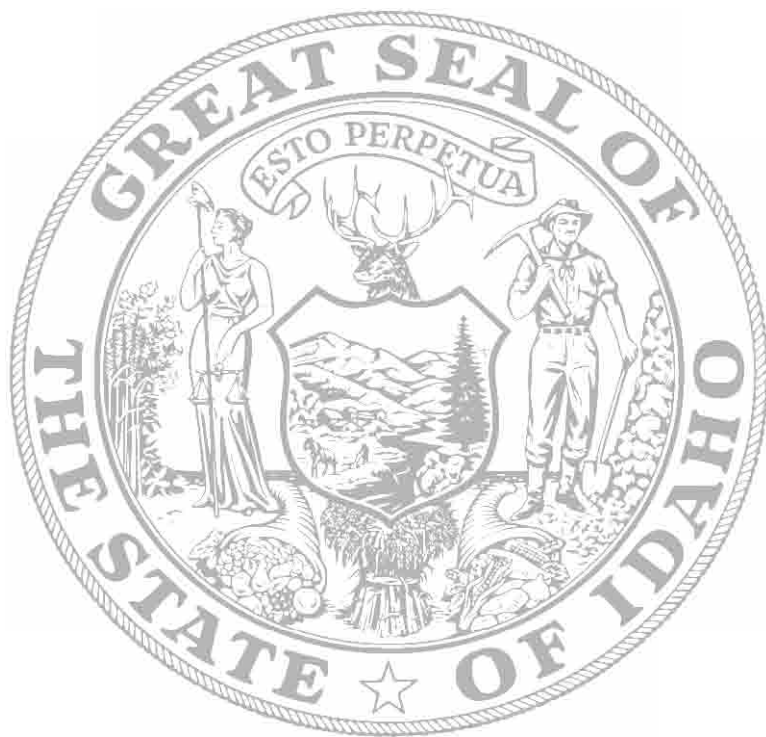
	General	Health and Welfare	Transportation	Land Endowments
ASSETS				
Cash and Cash Equivalents	\$899		\$6	
Pooled Cash and Investments	487,154	\$35,173	98,685	\$3,160
Investments	86,349		48,769	890,804
Securities Lending Collateral	442,852	1,187	24,214	91,211
Accounts Receivable, Net	17,412	13,364	6,191	33,461
Taxes Receivable, Net	253,636	161	22,945	
Interfund Receivables	6,670	12		
Due from Other Entities		203,917	32,982	
Inventories and Prepaid Items	8,898	4,144	17,960	
Loans, Notes, and Pledges Receivable, Net	2,963		341	
Other Assets	120	13	283	1,459
Restricted Assets:				
Cash and Cash Equivalents	2,381	5,834	304	
Investments	65,282	2,390		
Total Assets	\$1,374,616	\$266,195	\$252,680	\$1,020,095
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$25,894	\$14,869	\$16,405	\$4,011
Payroll and Related Liabilities	11,200	7,214	4,342	
Medicaid Payable		139,892		
Interfund Payables	1,597	867	504	
Due to Other Entities	33,426		27,511	
Deferred Revenue	90,499	74,517	13,256	
Amounts Held in Trust for Others	185	4,443	305	
Obligations Under Securities Lending	442,852	1,187	24,214	92,500
Other Accrued Liabilities	20,947	2,009	9,578	
Total Liabilities	626,600	244,998	96,115	96,511
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	35,060	17,222	12,200	
Inventories and Prepaid Items	8,898	4,144	17,960	
Noncurrent Receivables	3,264			
Permanent Trusts	1,734			767,235
Other Purposes	67,663	5,103		
Unreserved, Reported in:				
General Fund	631,397			
Special Revenue Funds		(5,272)	126,405	
Capital Projects Fund				
Permanent Funds				156,349
Total Fund Balances	748,016	21,197	156,565	923,584
Total Liabilities and Fund Balances	\$1,374,616	\$266,195	\$252,680	\$1,020,095

The accompanying notes are an integral part of the financial statements

Nonmajor Governmental	Total
\$11,611	\$12,516
238,169	862,341
36,170	1,062,092
20,549	580,013
32,211	102,639
2,608	279,350
1,997	8,679
45,724	282,623
12,202	43,204
12,011	15,315
1,132	3,007
78,904	87,423
11,327	78,999
<u>\$504,615</u>	<u>\$3,418,201</u>

\$52,774	\$113,953
10,596	33,352
	139,892
3,646	6,614
7	60,944
24,877	203,149
3,266	8,199
20,549	581,302
10,976	43,510
<u>126,691</u>	<u>1,190,915</u>

8,558	8,558
14,055	78,537
12,202	43,204
13,371	16,635
	768,969
71,797	144,563
	631,397
257,796	378,929
145	145
	156,349
<u>377,924</u>	<u>2,227,286</u>
<u>\$504,615</u>	<u>\$3,418,201</u>



State of Idaho

Reconciliation of the Governmental Funds Balance Sheet

To the Statement of Net Assets

June 30, 2009

(dollars in thousands)

Total Fund Balances - Governmental Funds

\$2,227,286

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

Land	\$973,479	
Construction in Progress	1,088,195	
Infrastructure	2,727,368	
Historical Art and Collections	72	
Buildings and Improvements	682,078	
Improvements Other Than Buildings	68,173	
Machinery, Equipment, and Other	335,691	
Accumulated Depreciation	(660,429)	
Total Capital Assets		5,214,627

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds.

183,928

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

121,924

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.

4,672

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:

Capital Leases Payable	(10,524)	
Compensated Absences Payable	(54,172)	
Bonds and Notes Payable	(498,018)	
Accrued Interest on Bonds	(3,632)	
Claims and Judgments	(112,935)	
Other Long-Term Liabilities	(22,505)	
Total Long-Term Liabilities		(701,786)

Net Assets - Governmental Activities

\$7,050,651

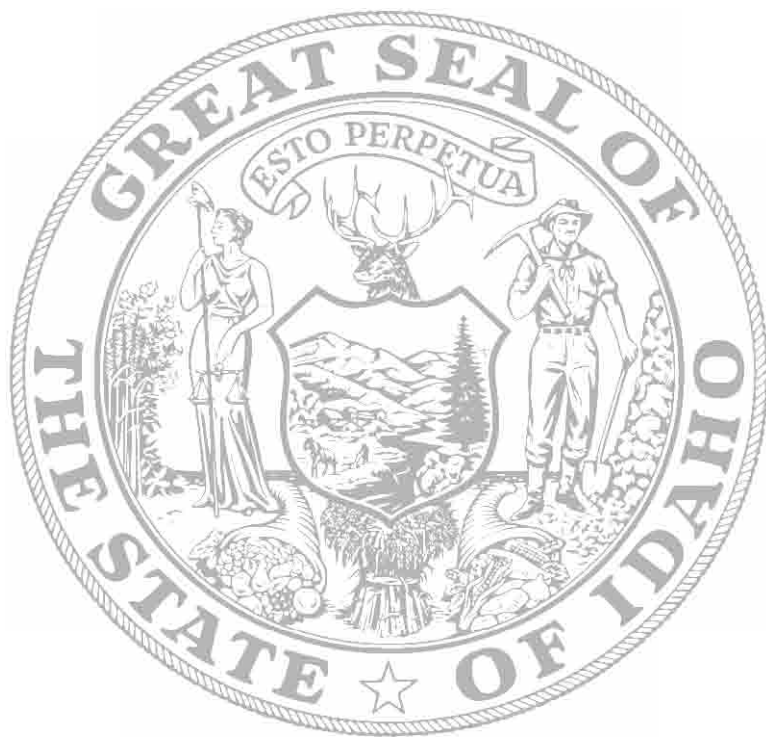
State of Idaho**Statement of Revenues, Expenditures, and Changes in Fund Balances****Governmental Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	General	Health and Welfare	Transportation	Land Endowments
REVENUES				
Sales Tax	\$1,170,002			
Individual and Corporate Taxes	1,325,996			
Other Taxes	57,379	\$5,401	\$207,658	
Licenses, Permits, and Fees	18,619	5,304	118,747	\$1
Sale of Goods and Services	8,470	85,456	5,482	60,416
Grants and Contributions	5,303	1,498,017	257,172	
Investment Income	32,805	460	5,005	(198,767)
Tobacco Settlement	30,965			
Other Income	28,766	283	5,594	
Total Revenues	2,678,305	1,594,921	599,658	(138,350)
EXPENDITURES				
Current:				
General Government	140,117	50		
Public Safety and Correction	249,475			
Health and Human Services	30,537	2,065,970		
Education	1,609,137			
Economic Development	24,699		178,850	
Natural Resources	41,250			26,515
Capital Outlay	126,102	3,002	253,605	353
Intergovernmental Revenue Sharing	192,106	42,591	131,364	
Debt Service:				
Principal Retirement	319		30,589	
Interest and Other Charges	24,240	5	11,816	
Total Expenditures	2,437,982	2,111,618	606,224	26,868
Revenues Over (Under) Expenditures	240,323	(516,697)	(6,566)	(165,218)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Capital Lease Acquisitions	22			
Sale of Capital Assets	236	98	10,634	1
Transfers In	153,335	496,746		2,164
Transfers Out	(825,241)	(231)	(15,602)	(42,413)
Total Other Financing Sources (Uses)	(671,648)	496,613	(4,968)	(40,248)
Net Changes in Fund Balances	(431,325)	(20,084)	(11,534)	(205,466)
Fund Balances - Beginning of Year, as Restated	1,179,341	41,281	168,099	1,129,050
Fund Balances - End of Year	\$748,016	\$21,197	\$156,565	\$923,584

Nonmajor Governmental	Total
\$4,800	\$1,174,802
	1,325,996
128,201	398,639
134,683	277,354
72,702	232,526
491,222	2,251,714
30,009	(130,488)
	30,965
27,300	61,943
888,917	5,623,451

45,952	186,119
55,666	305,141
	2,096,507
234,264	1,843,401
203,145	406,694
144,633	212,398
251,125	634,187
70,805	436,866
24,737	55,645
13,307	49,368
1,043,634	6,226,326
(154,717)	(602,875)

152,641	152,641
	22
978	11,947
48,409	700,654
(70,635)	(954,122)
131,393	(88,858)
(23,324)	(691,733)
401,248	2,919,019
\$377,924	\$2,227,286



State of Idaho
**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances -- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009**
*(dollars in thousands)***Net Change in Fund Balances - Governmental Funds**

(\$691,733)

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:

Capital Outlay	\$430,115	
Depreciation Expense	(54,778)	
		375,337

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.

(26,837)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

2,148

The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:

Bonds and Notes	(152,641)	
Capital Leases	(22)	
		(152,663)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond and Note Principal	54,298	
Bond Issue Costs	(463)	
Capital Leases	1,285	
		55,120

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:

Accrued Interest and Amortization	1,197	
Compensated Absences	1,715	
Claims and Judgments	26,952	
Other Long-Term Liabilities	1,594	
		31,458

Internal service funds are reported separately from governmental funds in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.

5,133

Change in Net Assets - Governmental Activities

(\$402,037)

State of Idaho**Statement of Net Assets****Proprietary Funds****June 30, 2009***(dollars in thousands)*

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$103,866	\$2,603	\$692	\$2,551
Pooled Cash and Investments	41,972	6,385	12,187	19,221
Investments	21,299			
Securities Lending Collateral		37,528	30,478	
Accounts Receivable, Net	53,183	60,234	456	2,344
Interfund Receivables	3,343			248
Inventories and Prepaid Items	6,314			14,141
Due from Component Unit	2,226			
Loans, Notes, and Pledges Receivable, Net	3,364		10,308	
Other Current Assets	714		4,165	
Total Current Assets	236,281	106,750	58,286	38,505
Noncurrent Assets				
Restricted Cash and Cash Equivalents	25,381		24,383	34,375
Investments	141,715	75,581		
Restricted Investments	1,173		61,382	
Due from Component Unit	62,392			
Loans, Notes, and Pledges Receivable, Net	22,768		236,227	
Other Noncurrent Assets	8,614			
Capital Assets, Net	961,226		33,569	8,014
Total Noncurrent Assets	1,223,269	75,581	355,561	42,389
Total Assets	\$1,459,550	\$182,331	\$413,847	\$80,894
LIABILITIES				
Current Liabilities				
Accounts Payable	\$24,095	\$5,144	\$139	\$6,326
Payroll and Related Liabilities	34,816			681
Interfund Payables	5,319			835
Due to Other Entities			11	4,669
Unearned Revenue	22,158		18,473	9
Amounts Held in Trust for Others	2,202		1	
Due to Component Unit	404			
Obligations Under Securities Lending		37,528	30,478	
Other Accrued Liabilities	7,516		269	2,583
Capital Leases Payable	382			48
Capital Leases Payable to Component Unit	275			
Compensated Absences Payable	20,077			737
Bonds and Notes Payable	19,346		2,015	
Policy Claim Liabilities				
Total Current Liabilities	136,590	42,672	51,386	15,888
Noncurrent Liabilities				
Capital Leases Payable	114			83
Capital Leases Payable to Component Unit	2,377			
Bonds and Notes Payable	447,191	26,973	4,080	
Policy Claim Liabilities				
Other Long-Term Obligations	9,446			292
Total Noncurrent Liabilities	459,128	26,973	4,080	375
Total Liabilities	595,718	69,645	55,466	16,263
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	524,875		27,474	7,883
Restricted for:				
Claims and Judgments				
Debt Service			553	
Permanent Trust - Expendable	100,119			
Permanent Trust - Nonexpendable	62,392			
Other Purposes				34,621
Unrestricted	176,446	112,686	330,354	22,127
Total Net Assets	863,832	112,686	358,381	64,631
Total Liabilities and Net Assets	\$1,459,550	\$182,331	\$413,847	\$80,894

The accompanying notes are an integral part of the financial statements

Governmental Activities	
Total	Internal Service Funds
\$109,712	
79,765	\$57,739
21,299	
68,006	19,660
116,217	50
3,591	498
20,455	2,858
2,226	
13,672	
4,879	231
439,822	81,036
84,139	40,305
217,296	39,596
62,555	
62,392	
258,995	72
8,614	
1,002,809	20,034
1,696,800	100,007
\$2,136,622	\$181,043
\$35,704	\$600
35,497	499
6,154	
4,680	
40,640	13,118
2,203	
404	
68,006	19,660
10,368	177
430	295
275	
20,814	712
21,361	134
	9,675
246,536	44,870
197	656
2,377	
478,244	3,334
	10,078
9,738	181
490,556	14,249
737,092	59,119
560,232	15,615
	83,659
553	
100,119	
62,392	
34,621	
641,613	22,650
1,399,530	121,924
\$2,136,622	\$181,043

State of Idaho**Statement of Revenues, Expenses, and Changes in Fund Net Assets****Proprietary Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$121,833		
Licenses, Permits, and Fees	\$282,786		\$518	
Scholarship Allowances	(51,372)			
Sale of Goods and Services	104,501		1,944	\$281,646
Grants and Contributions	137,343	34,046	24,157	
Other Income	10,533			63
Total Operating Revenues	483,791	155,879	26,619	281,709
OPERATING EXPENSES				
Personnel Costs	557,523			14,910
Services and Supplies	202,510		4,657	98,976
Benefits, Awards, and Premiums	52,788	336,523		84,997
Depreciation	50,124		209	827
Other Expenses	13,585	2,077	12	4,209
Total Operating Expenses	876,530	338,600	4,878	203,919
Operating Income (Loss)	(392,739)	(182,721)	21,741	77,790
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	98,127			
Investment Income	(4,680)	7,790	12,051	575
Interest Expense	(19,853)		(390)	(3)
Intergovernmental Distributions			(642)	(27,366)
Gain (Loss) on Sale of Capital Assets	(610)			
Other Nonoperating Revenues (Expenses)	(1,779)	1,256		2
Total Nonoperating Revenues (Expenses)	71,205	9,046	11,019	(26,792)
Income (Loss) Before Contributions and Transfers	(321,534)	(173,675)	32,760	50,998
Capital Contributions	21,154			
Transfers In	311,701		4,100	
Transfers Out		(13,766)	(86)	(50,102)
Change in Net Assets	11,321	(187,441)	36,774	896
Total Net Assets - Beginning of Year, as Restated	852,511	300,127	321,607	63,735
Total Net Assets - End of Year	\$863,832	\$112,686	\$358,381	\$64,631

Governmental Activities	
Total	Internal Service Funds
\$121,833	
283,304	\$4
(51,372)	
388,091	250,702
195,546	747
10,596	53
947,998	251,506
572,433	11,811
306,143	18,057
474,308	206,929
51,160	2,209
19,883	1,824
1,423,927	240,830
(475,929)	10,676
98,127	
15,736	4,982
(20,246)	(307)
(28,008)	
(610)	14
(521)	
64,478	4,689
(411,451)	15,365
21,154	
315,801	1,830
(63,954)	(209)
(138,450)	16,986
1,537,980	104,938
\$1,399,530	\$121,924

State of Idaho**Statement of Cash Flows****Proprietary Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$110,488
Receipts from Customers	\$328,738	
Receipts for Interfund Services		
Receipts from Grants and Contributions	137,400	34,046
Payments to Suppliers	(193,128)	
Payments to Employees	(554,167)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(49,392)	(333,696)
Other Receipts (Payments)	(3,449)	
Net Cash Provided (Used) by Operating Activities	(333,998)	(189,162)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	97,438	
Intergovernmental Distributions		
Transfers In	311,701	
Transfers Out		(13,766)
Interest Paid		
Other Receipts (Payments)	14	26,973
Net Cash Provided (Used) by Noncapital Financing Activities	409,153	13,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	6,991	
Bonds Issued	43,159	
Payment of Bonds and Notes	(25,784)	
Payment of Interest	(19,685)	
Capital Lease Payments		
Proceeds from Disposition of Capital Assets	81	1,256
Acquisition and Construction of Capital Assets	(97,086)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(92,324)	1,256
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	10,727	4,048
Purchase of Investments	(237,725)	(37,261)
Redemption of Investments	246,693	76,498
Other Investing Activities	33,649	
Net Cash Provided (Used) by Investing Activities	53,344	43,285
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	36,175	(131,414)
Beginning Cash, Cash Equivalents, and Pooled Cash	135,044	140,402
Ending Cash, Cash Equivalents, and Pooled Cash	\$171,219	\$8,988
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$392,739)	(\$182,721)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	50,124	
Maintenance Costs Paid by Department of Public Works	5,690	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(3,134)	(7,397)
Inventories and Prepaid Items	1,273	
Notes Receivable	933	
Other Current Assets	1,718	
Accounts Payable/Interfund Payables	(1,122)	956
Unearned Revenue		
Compensated Absences	434	
Policy Claim Liabilities		
Other Accrued Liabilities	2,825	
Net Cash Provided (Used) by Operating Activities	(\$333,998)	(\$189,162)

Noncash Transactions (dollars in thousands):

Investments decreased in fair value by \$13,443 for colleges and universities, increased in fair value by \$3,742 for Unemployment Compensation, \$1,148 for the Loan fund, and \$746 for internal service funds. Colleges and universities acquired capital assets through donation in the amount of \$2,309 and through state transfers in the amount of \$13,806; disposed of capital assets at a loss of \$2,247; and defeased debt in the amount of \$12,065. The Loan Fund wrote down uncollectible loans in the amount of \$642 and conveyed capital assets and related debt in the amount of \$21,130. Internal service funds acquired capital assets of \$996 through capital lease and disposed of capital assets at a loss of \$20.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$110,488	
\$5,095	\$281,573	615,406	
			\$251,480
24,157		195,603	747
(4,701)	(102,806)	(300,635)	(17,426)
	(14,780)	(568,947)	(11,799)
(18)	(2,626)	(2,644)	(2,913)
	(85,459)	(468,547)	(207,340)
		(3,449)	
24,533	75,902	(422,725)	12,749
		97,438	
	(26,891)	(26,891)	
4,100		315,801	1,830
(86)	(50,102)	(63,954)	(209)
(277)		(277)	(197)
		26,987	
3,737	(76,993)	349,104	1,424
		6,991	
		43,159	
(1,999)	(51)	(27,834)	(71)
		(19,685)	
			(243)
		1,337	34
	(859)	(97,945)	(1,608)
(1,999)	(910)	(93,977)	(1,888)
9,840	575	25,190	4,312
(41,396)		(316,382)	(1,681)
97		323,288	979
(166)		33,483	(109)
(31,625)	575	65,579	3,501
(5,354)	(1,426)	(102,019)	15,786
42,616	57,573	375,635	82,258
\$37,262	\$56,147	\$273,616	\$98,044
\$21,741	\$77,790	(\$475,929)	\$10,676
209	827	51,160	2,209
		5,690	
174	(229)	(10,586)	345
	(617)	656	205
		933	
675	456	2,849	
78	(2,561)	(2,649)	(661)
1,653	(6)	1,647	376
	18	452	
			(411)
3	224	3,052	10
\$24,533	\$75,902	(\$422,725)	\$12,749

State of Idaho**Statement of Fiduciary Net Assets****Fiduciary Funds****June 30, 2009***(dollars in thousands)*

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$710		\$203	\$5,418
Pooled Cash and Investments	2,975			25,558
Investments:				
Pooled Short Term	362,525	\$511,457	7,491	
Fixed Income Investments	2,213,070	1,018,186		233,815
Marketable Securities	5,108,464			
Mutual Funds and Private Equities	903,619		122,742	
Mortgages and Real Estate	917,246	55,719		
Other Investments			9,106	
Securities Lending Collateral		962,657		
Receivables:				
Investments Sold	956,188			
Contributions	5,376			
Interest and Dividends	37,325	1,939	4	3
Interfund Receivables	1,626			
Other Receivables	145			
Other Assets	40,898			
Capital Assets, Net	2,450			
Total Assets	10,552,617	2,549,958	139,546	\$264,794
LIABILITIES				
Accounts Payable	30	73	88	
Payroll and Related Liabilities				\$1,805
Interfund Payables	1,626			
Due to Other Entities				597
Amounts Held in Trust for Others				261,238
Obligations Under Securities Lending		962,657		
Investments Purchased	1,127,887		30	
Other Accrued Liabilities	8,547	1,159		1,154
Total Liabilities	1,138,090	963,889	118	\$264,794
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	9,225,348			
Postemployment Healthcare Benefits	189,179			
External Investment Pool Participants		1,586,069		
Trust Beneficiaries			139,428	
Total Net Assets	\$9,414,527	\$1,586,069	\$139,428	

State of Idaho**Statement of Changes in Fiduciary Net Assets****Fiduciary Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	\$216,088		
Employer	318,137		
Transfers In from Other Plans	6,058		
Participant Deposits		\$3,386,167	\$28,096
Total Contributions	540,283	3,386,167	28,096
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(2,074,264)	10,151	(17,388)
Interest, Dividends, and Other	286,458	24,717	4,129
Securities Lending Income	183	8,648	
Less Investment Expense:			
Investment Activity Expense	(41,360)	(924)	
Securities Lending Interest Expense	(38)	(7,311)	
Net Investment Income	(1,829,021)	35,281	(13,259)
Miscellaneous Income	1,757	183	
Total Additions	(1,286,981)	3,421,631	14,837
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	561,185		
Transfers Out to Other Plans	8,126		
Administrative Expense	6,364		788
Earnings Distribution		32,074	
Participant Withdrawals		3,426,360	13,283
Total Deductions	575,675	3,458,434	14,071
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	(1,841,307)		
Employee Postemployment Healthcare Benefits	(21,349)		
External Investment Pool Participants		(36,803)	
Trust Beneficiaries			766
Net Assets - Beginning of Year	11,277,183	1,622,872	138,662
Net Assets - End of Year	\$9,414,527	\$1,586,069	\$139,428

State of Idaho**Statement of Net Assets****Component Units****June 30, 2009***(dollars in thousands)*

	Component Units			
	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Cash and Cash Equivalents	\$10,565	\$17,436		\$3,677
Pooled Cash and Investments			\$545	
Investments	685,926	289,947	31,965	18,789
Accounts Receivable, Net	11,419		405	9
Due from Other Entities				24
Inventories and Prepaid Items	1,281	6		1,096
Due from Primary Government	215,192	3,056		
Loans, Notes, and Pledges Receivable, Net	1,536,674	33,481		
Other Assets	61,517	5,246	286	165
Restricted Assets:				
Cash and Cash Equivalents	27,069	12,632		
Investments		2,790		
Capital Assets:				
Nondepreciable	4,408	13		
Depreciable, Net	38,298	244		
Total Assets	\$2,592,349	\$364,851	\$33,201	\$23,760
LIABILITIES				
Accounts Payable	\$528	\$2,063		\$14
Payroll and Related Liabilities	709			
Unearned Revenue		3,146		18,473
Amounts Held in Trust for Others	19,088	15,369		
Due to Primary Government		64,618		
Other Accrued Liabilities	178,563	39	\$153	260
Long-Term Liabilities:				
Due Within One Year	73,748	375	1,831	5,013
Due in More Than One Year	2,159,907	18,583	5,541	
Total Liabilities	2,432,543	104,193	7,525	23,760
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,939	257		
Restricted for:				
Debt Service	96,379			
Permanent Trust - Expendable		95,625		
Permanent Trust - Nonexpendable		170,529		
Other Purposes	1,607			
Unrestricted	54,881	(5,753)	25,676	
Total Net Assets	159,806	260,658	25,676	
Total Liabilities and Net Assets	\$2,592,349	\$364,851	\$33,201	\$23,760

Bond Bank Authority	Total
\$14	\$31,692
	545
	1,026,627
	11,833
	24
	2,383
	218,248
176,655	1,746,810
6,041	73,255
	39,701
	2,790
	4,421
	38,542
\$182,710	\$3,196,871
	\$2,605
	709
	21,619
	34,457
	64,618
\$2,527	181,542
4,015	84,982
176,154	2,360,185
182,696	2,750,717
	7,196
	96,379
	95,625
	170,529
	1,607
14	74,818
14	446,154
\$182,710	\$3,196,871

State of Idaho**Statement of Revenues, Expenses, and Changes in Fund Net Assets****Component Units****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	\$8,088	\$4,709		
Services and Supplies	13,292	4,881	\$1,553	\$350
Benefits, Awards, and Premiums	213	37,020	232	11,914
Interest Expense	105,316	544		15
Depreciation	2,447	138		
Other Expenses	2,816	1,407		
Total Expenses	132,172	48,699	1,785	12,279
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	13,612		2,200	
Sale of Goods and Services	4,038	66		4,283
Investment Income	75,582		1,038	911
Other Income	4,416	4,441		
Operating Grants and Contributions	2,577	27,701		967
Total Program Revenues	100,225	32,208	3,238	6,161
Net Revenues (Expenses)	(31,947)	(16,491)	1,453	(6,118)
GENERAL REVENUES				
Payments from State of Idaho		1,272		6,118
Total General Revenues		1,272		6,118
Contributions to Permanent Endowments		5,980		
Change in Net Assets	(31,947)	(9,239)	1,453	
Net Assets - Beginning of Year, as Restated	191,753	269,897	24,223	
Net Assets - End of Year	\$159,806	\$260,658	\$25,676	

Bond Bank Authority	Total
	\$12,797
	20,076
	49,379
\$5,600	111,475
	2,585
42	4,265
5,642	200,577
14	15,826
	8,387
5,600	83,131
42	8,899
	31,245
5,656	147,488
14	(53,089)
	7,390
	7,390
	5,980
14	(39,719)
	485,873
\$14	\$446,154

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

In November 2006 the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement establishes requirements for accounting and reporting obligations to address the current or potential detrimental effects of existing pollution. The State implemented this Statement during the fiscal year ended June 30, 2009. See Note 12 for more information.

In November 2007 the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes requirements for endowments to report their land and other real estate investments at fair value and requires the changes in fair value be reported as investment income. The State implemented this Statement during the fiscal year ended June 30, 2009. See Note 2 for more information.

In March 2009 the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The State implemented this Statement during the fiscal year ended June 30, 2009.

In March 2009 the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles—related party transactions, going concern considerations, and subsequent events. The State implemented this Statement during the fiscal year ended June 30, 2009.

The financial statements are presented for the fiscal year ended June 30, 2009, except for the Idaho State Bar, the Idaho Dairy Products Commission (nonmajor special revenue funds), the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units), whose

statements are for the fiscal year ended December 31, 2008; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are for the fiscal year ended August 31, 2008.

A. Reporting Entity

The State of Idaho is governed under the Idaho Constitution of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction; and judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable or other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the financial statements to be misleading or incomplete. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the primary government and blended into the appropriate funds.

The *Idaho State Building Authority* was created by Idaho Code, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column on the government-wide statements to emphasize that they are legally separate from the primary government. The State's discretely presented component units are as follows:

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, The Housing Company. The Association was created by Idaho Code, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and universities.

The *Petroleum Clean Water Trust Fund* was created by Idaho Code, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund.

The Health Reinsurance fund includes the *Idaho Individual High Risk Reinsurance Pool* created by Idaho Code, Section 41-5502; and the *Idaho Small Employer Health Reinsurance Program* created by Idaho Code, Section 41-4711. Both the Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism and facilitate the guaranteed issue of standardized state-

approved health benefit plans. Both the Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. Due to the level of authorized oversight by the Department of Insurance, the State has the ability to impose its will on these programs. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. The assets of the Pool and the Program are restricted for specific purposes and are not subject to appropriation by the Idaho Legislature for other uses.

The *Idaho Bond Bank Authority* was created by Idaho Code, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five-member board, of which two members are appointed by the governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
755 West Front Street, Suite 200
Boise, ID 83702

Idaho Housing and Finance Association
565 West Myrtle
P.O. Box 7899
Boise, ID 83707-1899

The Housing Company
P.O. Box 7899
Boise, ID 83707

Boise State University Foundation, Inc.
2225 University Drive
Boise, ID 83706

Eastern Idaho Technical College Foundation, Inc.
1600 South 25th East
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.
921 South 8th Avenue
Campus Box 8050
Pocatello, ID 83209

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Lewis-Clark State College Foundation, Inc.
Lewis-Clark State College
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
714 West State Street, Suite 240
Boise, ID 83702

Idaho Petroleum Clean Water Trust Fund
1215 West State Street
P.O. Box 83720
Boise, ID 83720-0044

Idaho Individual High Risk Reinsurance Pool
Idaho Small Employer Health Reinsurance Program
3449 Copper Point Drive
Meridian, ID 83642

Idaho Bond Bank Authority
State Treasurer's Office
P.O. Box 83720
Boise, ID 83720-0091

Related Organizations

The *State Insurance Fund*, created by Idaho Code, Section 72-901, and the *Health Facilities Authority*, created by Idaho Code, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The *Statement of Net Assets* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

Fund Statements

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* fund manages and invests the revenues generated from the sale or lease of lands granted from the federal government under the Idaho Admission Act.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted to expenditures for specified purposes.

The *capital projects fund* accounts for revenues designated to finance construction of transportation infrastructure.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and

not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other employee benefits.

Investment trust funds account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies as well as employee payroll deductions.

The *private-purpose trust fund* accounts for resources legally held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, P.O. Box 55253, Boston, MA 02205-5253.

Operating and Nonoperating Revenues and Expenses of Proprietary Funds

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary (except agency) fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Reimbursements are eliminated in the government-wide Statement of Activities to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, insurance premiums, technical services, and the allocation of central human resource costs to all agencies.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures

related to debt service, compensated absences, and claims and judgments are recorded when paid.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

The foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), and Idaho State University (ISU), and The Housing Company issue financial statements using FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. The financial statements of the foundations (BSU, EITC and, ISU), and The Housing Company have been reformatted to comply with GASB requirements. Note disclosures for the foundations (BSU, EITC, and ISU) have been reformatted to comply with GASB requirements. The Housing Company's note disclosures have not been reformatted to comply with GASB requirements; therefore they are not included in the note disclosures.

D. Assets and Liabilities

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the date of acquisition.

Pooled Cash and Investments

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. Idaho Code, Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. See Note 2 for more information.

Investments

The STO manages investments of state funds and funds of other qualified entities within the State in accordance with Idaho Code, Sections 67-1210 and 67-1210A. See Note 2 for more information.

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits,

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

which are not held for investment purposes, are carried at historical cost in the State's agency funds. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the Land Endowments fund are permitted to make investments in accordance with the Idaho Uniform Prudent Investor Act, Sections 68-501 through 68-514, of the Idaho Code.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Notes 2 and 3 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of health and transportation federal grants and fuel taxes. Proprietary fund receivables consist mainly of loans, unemployment assessments, and student tuition and fees. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid

expenses represent amounts paid in the current period for services that will benefit future periods. Prepaid expenses are accounted for using the consumption method.

Other Assets

Other assets include interest receivable and other miscellaneous items.

Restricted Assets

Assets are reported as restricted when restrictions on asset use are imposed by constitutional provisions, enabling legislation, or external parties, and the constraints change the nature or normal understanding of the availability of the asset.

Capital Assets, Net

Capital assets include land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, all infrastructure regardless of acquisition date, and other capital assets. Assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Donated capital assets are recorded at estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is valued at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, construction in progress, historical art and collections, and certain intangible assets with an indefinite useful life. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and rights-of-way are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The Idaho Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections are not capitalized unless those collections were already capitalized on June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for the collection. See Note 6 for more information.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments and vendor obligations. Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated claims expected to be presented within the next year, is reported as Claims and Judgments within the Long-Term Liabilities due within one year on the Government-Wide Statement of Net Assets. Proprietary fund payables consist mostly of payroll liabilities, unemployment compensation, and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions. At that time the asset

held in trust becomes the property of the State, and revenue is recorded.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Notes 2 and 3 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of construction and infrastructure expenses, contract retentions, interest payable, unclaimed property, and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Bonds and Notes Payable consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for more information.

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 10 for more information.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims. See Note 12 for more information.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 12 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 9 and 12 for more information.

Other Long-Term Liabilities consists of a net pension obligation, net other postemployment benefits obligation, and an arbitrage rebate liability. See Notes 7, 8, and 12 for more information.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

E. Equity

Equity represents the difference between assets and liabilities. The governmental fund equity is called fund balance; the government-wide, proprietary, and fiduciary fund equity are called net assets. Reserved fund balance and restricted net assets identify equity that is not available for appropriation for expenditures or is legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

In June 2007 the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement defines an intangible asset's required characteristics and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In June 2008 the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative*

Instruments. This Statement establishes recognition, measurement, and disclosure requirements for derivative instruments. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

In February 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2011.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout Idaho Code, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the Idaho Bond Bank Authority, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges and universities accounts, and some of the Public Employee Retirement

System of Idaho accounts. In accordance with Idaho Code, Sections 67-1210 and 67-1210A, the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. The weighted average maturity of the pooled cash and investments held by the STO was 248 days.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Custodial Credit Risk at June 30, 2009

(dollars in thousands)

	Governmental and Business- Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$300,582	\$9,732	\$66,138
Uninsured and Uncollateralized Deposits	35,587	3,436	8,973
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	7,939		
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			14,819

B. Investments

General Investment Policies

The Idaho Uniform Prudent Investor Act, Idaho Code, Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and

obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO

- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's permanent fund, the Land Endowments fund. Idaho Code, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment fund and earnings reserve funds. Idaho Code, Section 57-723, stipulates that the EFIB and its investment managers are governed by the Idaho Uniform Prudent Investor Act and the Idaho Constitution. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Domestic equities and high-yield bonds
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically, covered call options
- Forward foreign currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with Idaho Code, Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of

investments or collateral securities that are in the possession of an outside party will not be recovered. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

The Idaho Workers' Compensation Law, Idaho Code Title 72, requires sureties to maintain a security deposit with the Idaho State Treasurer in order to write workers' compensation insurance or to be self insured. The amount of sureties that are held by the bank, in the name of the insurance company and subject to custodial credit risk was \$235.0 million.

The Judges' Retirement fund held \$9.7 million of government agency securities, \$0.2 million of foreign agency securities, \$3.8 million of corporate bonds, \$0.7 million of mortgage backed securities and \$33.6 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of the PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. The PERSI had various short-term investments of \$16.9 million held by various counterparties, not in the PERSI's name.

The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation held \$3.5 million of U.S. Treasury bonds, \$13.4 million of corporate bonds, \$10.9 million of bond mutual funds, \$2.0 million of certificates of deposits, \$38.9 million of equity mutual funds, and \$1.1 million of private equity funds that were uninsured and held in the name of the broker.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the Idaho Uniform Prudent Investor Act as detailed in Idaho Code, Sections 68-501 through 68-514. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Barclays Capital Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the Endowment Funds interest rate risk

quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.

- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities be based upon the cash requirements of the Association's accounts, as determined by authorized Association investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2009.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2009
(Except Endowment Funds, PERSI, and Idaho College Savings Program)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	Total Fair Value
Debt Securities:								
Money Market Funds	\$1,253,950							\$1,253,950
Certificates of Deposit	45,075	\$155						45,230
Commercial Paper	14,997							14,997
U.S. Government Obligations	699,719	50,833	\$1,546			\$29		752,127
U.S. Gov't Agency Obligations	843,060	111,730	30,323	\$4,136	\$348	6,356	\$25,753	1,021,706
U.S. Gov't Agency Mortgage-Backed Securities*	8,631	228,743	33,291					270,665
U.S. Gov't Corporation Mortgage-Backed Securities*		22,402						22,402
Asset-Backed Securities*	894	3,001						3,895
Commercial Mortgages*		59	17,833					17,892
Corporate Obligations	5,030	42,956	16,600			700	528	65,814
Municipal and Public Entity Obligations	21,855	64						21,919
Bond Mutual Funds and Other Pooled Fixed-Income Securities	62,846	329						63,175
Foreign Agency Obligations		79	170					249
Idaho Small Business Loans	40	863	210	331				1,444
External Investment Pools	91,019							91,019
Total Debt Securities	3,047,116	461,214	99,973	4,467	348	7,085	26,281	3,646,484
Reinvestment of Securities Lending Collateral:								
Money Market Funds	380,921							380,921
Repurchase Agreements	770,544							770,544
Asset-Backed Securities*	6,395	33,098						39,493
Corporate Obligations	298,500	49,667						348,167
Total Debt Securities and Reinvestment of Securities Lending Collateral	\$4,503,476	\$543,979	\$99,973	\$4,467	\$348	\$7,085	\$26,281	5,185,609
Other Investments:								
Mutual Funds								764
Preferred Stock								4,400
Domestic Equity Securities								33,975
Foreign Equity Securities								116
Total								\$5,224,864

*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Endowment Funds Interest Rate Risk at June 30, 2009
(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
<u>Debt Securities:</u>		
Barclays Capital Aggregate Bond	\$175,332	4.35
U.S. Treasury Inflation-Protected Securities	27,654	4.20
Total Endowment Fund Debt Securities	<u>202,986</u>	
<u>Other Investments:</u>		
Equity Investments	655,710	
Money Market Funds	58,647	
Securities Lending Collateral	91,211	
Total Other Endowment Fund Investments	<u>805,568</u>	
<u>Unsettled Trades:</u>		
Receivable for Investments Sold	(29,734)	
Payable for Investments Purchased	3,195	
Total Endowment Fund Investments	<u>\$982,015</u>	

PERSI Investments at June 30, 2009
(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed-Income	\$2,111,302
Commingled Domestic Fixed-Income	53,263
Short-Term Domestic Investments	362,525
Idaho Commercial Mortgages	431,916
International Fixed-Income	34,058
Domestic Equities	2,896,235
Domestic Equities - Convertibles	511
International Equities	2,045,062
Real Estate	485,331
Private Equity	617,456
Mutual Funds	286,164
Co-mingled Domestic Equity - Domestic	102,783
Co-mingled Domestic Equity - International	30,249
Total Fair Value of PERSI Investments	<u>\$9,456,855</u>

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2009
(dollars in thousands)

Investment Type	Domestic Securities		International Securities		Total Fair Value
	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years	
Asset-Backed Securities	\$3,991	0.39	\$256	3.49	\$4,247
Asset-Backed Securities	1,516	*	43	*	1,559
Mortgages	27,631	1.89			27,631
Mortgages	2,807	*			2,807
Commercial Paper	238,394	0.07			238,394
Commercial Paper	23,385	*			23,385
Corporate Bonds	345,269	5.83	1,456	4.84	346,725
Corporate Bonds	10	*			10
Fixed-Income Derivatives	(56)	24.37	(15)	*	(71)
Fixed-Income Derivatives	(69)	*			(69)
Government Agencies	184,427	3.51	8,341	3.62	192,768
Government Bonds	238,383	6.16	23,977	4.89	262,360
Government Mortgage-Backed Securities	215,717	2.95			215,717
Pooled Investments	18,876	0.08			18,876
Pooled Investments	53,263	*			53,263
Preferred Stock	225	1.51			225
Preferred Stock	244	*			244
Private Placements	30,679	2.11			30,679
Private Placements	111,245	*			111,245
U.S. Treasury Inflation-Protected Securities	1,013,667	4.86			1,013,667
Idaho Mortgages	431,916	*			431,916
Total PERSI Fixed Income Securities	\$2,941,520		\$34,058		\$2,975,578

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2009
(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
Money Market Fund	\$14,915	Less than 1
Bond Fund	50,132	6.7
Inflation-Linked Bond Fund	7,517	9.1
Equity Funds	46,114	
International Equity Funds	11,555	
TIAA-CREF	9,106	
Total Idaho College Savings Program Investments	\$139,339	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Component Units Maturity of Debt Investments at June 30, 2009

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	More than 30 Years	Total Fair Value
Debt Securities									
Money Market Funds	\$213,446								\$213,446
Certificates of Deposit	168	\$589							757
U.S. Government Obligations	7,047	14,335	\$4,100	\$3,692	\$6,878	\$13	\$166		36,231
U.S. Gov't Agency Obligations	2,035	39,419	11,689	4,067	12,419	15,361	70,519		155,509
Corporate Obligations	13,555	28,138	17,367	1,170	1,149	2,672	4,600	\$3,645	72,296
Municipal Obligations	178	376	421		134	28			1,137
Bond Mutual Funds	5	94	10,782						10,881
Total Debt Securities	\$236,434	\$82,951	\$44,359	\$8,929	\$20,580	\$18,074	\$75,285	\$3,645	490,257
Other Investments									
Cash Equivalents included with Investments									2,005
Domestic Equities									75,165
Foreign Equities									461
Private Equities									3,644
Investment Agreements									347,106
Corporate Obligations Without Maturity Dates									4,163
Equity and Income Mutual Funds									46,027
Mutual Funds									32,403
International Equity Funds									3,231
Real Estate and Perpetual Trusts									3,678
Insurance Annuities									255
Hedge Funds									5,735
Land Held by Endowment*									13,766
Component Units Investments									\$1,027,896

*Investments valued at cost.

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of Aa grade or better and commercial paper of prime or equivalent grade without prior Board approval.
- The EFIB investment policy states that fixed-income securities must be rated Baa or better, commercial paper must be rated A1 (or the equivalent) or better, and money market funds shall contain securities with

an absolute minimum of investment grade by Standard & Poor's or Moody's.

- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho Code, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2009
(Except Endowment Funds and PERSI)
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	C	A1-P1	Unrated
Money Market Funds*	\$1,328,243	\$1,300,013								\$2,164	\$26,066
Certificates of Deposit	45,230				\$30						45,200
Commercial Paper	14,997									14,997	
U.S. Gov't Agency Obligations	1,021,706	1,020,855	\$162								689
U.S. Gov't Agency Mortgage-Backed Securities	270,665	269,983									682
Asset-Backed Securities	3,895	3,001	894								
Commercial Mortgages	17,892	17,892									
Corporate Obligations	70,596	6,761	30,754	\$20,787	12,284	\$10					
Municipal and Public Entity Obligations	21,919	44			20						21,855
Bond Mutual Funds and Other Pooled Fixed-Income Securities	120,824		905								119,919
Foreign Agency Obligations	249		22	114	113						
External Investment Pools	91,019	91,019									
Total Before Securities Lending	3,007,235	2,709,568	32,737	20,901	12,447	10	0	0	0	17,161	214,411
Reinvestment of Securities											
Lending Collateral:											
Money Market Funds	380,921	166,312							\$17,226		197,383
Repurchase Agreements	770,544										770,544
Asset-Backed Securities	39,493	3,198		3,197	5,471		\$18,465	\$9,162			
Corporate Obligations	348,167		39,999	222,002					40,414		45,752
Total	\$4,546,360	\$2,879,078	\$72,736	\$246,100	\$17,918	\$10	\$18,465	\$9,162	\$57,640	\$17,161	\$1,228,090

*Includes \$59.4 million of money market funds that are reported with cash and cash equivalents

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2009
(dollars in thousands)

Investment Type	Fair Value	Average S & P Rating
Barclays Capital Aggregate Bond	\$175,332	AA
Northern Money Market Fund	58,647	A
Securities Lending Collateral	91,211	A
Total	\$325,190	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

PERSI Credit Quality of Fixed-Income Securities at June 30, 2009

(dollars in thousands)

S & P Rating Level	Fair Value	Investment Type	
		Domestic Securities	International Securities
Agency (A-1+)	\$337,351	\$337,351	
AAA	102,293	86,554	\$15,739
AA	22,495	20,999	1,496
A	317,633	305,875	11,758
BBB	116,655	114,799	1,856
BB	18,982	18,953	29
B	15,662	15,655	7
CCC	7,151	7,151	
CC	751	751	
C	26	26	
D	2,012	1,999	13
Not Rated	278,462	275,302	3,160
Total	\$1,219,473	\$1,185,415	\$34,058

Component Units Credit Quality Ratings of Debt Securities at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	C	Unrated
Money Market Funds	\$213,446	\$3,735								\$209,711
Certificates of Deposit	757	589								168
U.S. Government Agency Obligations	155,509	150,842								4,667
Corporate Obligations	72,296	7,478	\$18,448	\$20,460	\$17,004	\$3,380	\$1,281	\$3,411	\$431	403
Municipal Obligations	1,137	178	331	543		32				53
Bond Mutual Funds	10,881	4,327	6,456	82						16
Total	\$454,026	\$167,149	\$25,235	\$21,085	\$17,004	\$3,412	\$1,281	\$3,411	\$431	\$215,018

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the STO pool portfolio, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Primary Government Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Mortgage Corporation	\$866	100.0
STO Pool:	Federal Home Loan Bank	89,474	5.6
	Federal Home Loan Mortgage Corporation	140,163	8.7
	Federal National Mortgage Association	94,781	5.9
Boise State University:	Federal Home Loan Bank	9,979	9.0

Component Unit Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:	Federal Farm Credit Bank	\$53,804	7.9
	Transamerica Life Insurance Corporation	170,424	24.9
	Trinity Plus Funding Company	133,074	19.4
Health Reinsurance:	Federal Farm Credit	1,003	5.5
	Federal Home Loan Bank	9,594	52.7
	Federal Home Loan Mortgage Corporation	4,014	22.1
	Federal National Mortgage Association	3,589	19.7

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 16 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is

monitored for currency exposure. Managers are required to report variances.

- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Endowment Funds Foreign Currency Risk at June 30, 2009*(dollars in thousands)*

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Common Stock	\$3,198
Canadian Dollar	Common Stock	521
Danish Krone	Common Stock	1,530
Euro	Common Stock	26,339
Hong Kong Dollar	Common Stock	7,143
Japanese Yen	Common Stock	32,730
Norwegian Krone	Common Stock	1,129
Singapore Dollar	Common Stock	1,273
South African Rand	Common Stock	2,443
South Korean Won	Common Stock	1,598
Swedish Krona	Common Stock	514
Swiss Franc	Common Stock	8,735
U.K. Pound	Common Stock	10,257
Total		\$97,410

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

PERSI Foreign Currency Risk at June 30, 2009

(stated at fair value of U.S. dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	(\$3,157)	\$78,815	\$3,645	\$79,303
Brazilian Real	1,060	91,851	1,675	94,586
British Pound Sterling	2,681	275,184	3,150	281,015
Canadian Dollar	(2,856)	37,781	11,358	46,283
Chilean Peso	50	2,698		2,748
Chinese Yuan Renminbi		27		27
Czech Koruna	51	3,337		3,388
Danish Krone	38	5,900		5,938
Egyptian Pound		17,125		17,125
Euro	(4,062)	543,617	6,752	546,307
Hong Kong Dollar	4,941	174,103		179,044
Hungarian Forint	32	9,913		9,945
Indonesian Rupiah	20	60,846		60,866
Israeli Shekel	41	17,464		17,505
Japanese Yen	(8,567)	288,586		280,019
Kenyan Shilling		290		290
Malaysian Ringgit		7,506		7,506
Mexican New Peso	(4,699)	14,254	5,036	14,591
New Taiwan Dollar	1,620	54,798		56,418
New Turkish Lira	(375)	60,643		60,268
New Zealand Dollar	4	2,196		2,200
Norwegian Krone	138	6,528		6,666
Philippines Peso	66	2,721		2,787
Polish Zloty	(1,419)		2,939	1,520
South African Rand	755	101,760		102,515
Singapore Dollar	151	22,030		22,181
South Korean Won	1,064	97,676		98,740
Sri Lanka Rupee		427		427
Swedish Krona	15	23,134		23,149
Swiss Franc	879	75,228		76,107
Thailand Baht	218	31,029		31,247
Zimbabwe Dollar		342		342
Total	(\$11,311)	\$2,107,809	\$34,555	\$2,131,053

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

College and University Foundation Foreign Currency Risk at June 30, 2009

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$1,851
Brazilian Real	Equities	12
Canadian Dollar	Equities	64
Chinese Yuan	Equities	28
Danish Krone	Equities	30
Euro	Equities	2,353
Hong Kong Dollar	Equities	2,977
Indian Rupee	Equities	10
Israeli Shekel	Equities	18
Japanese Yen	Equities	4,386
Mexican Peso	Equities	19
New Zealand Dollar	Equities	295
Norwegian Krone	Equities	7
Portuguese Escudo	Equities	3
Russian Ruble	Equities	7
Singapore Dollar	Equities	984
Swedish Krona	Equities	779
Swiss Franc	Equities	892
Turkish Lira	Equities	10
U.K. Pound	Equities	4,185
Total		\$18,910

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. The Endowment Funds had investments in TIPS with a fair value of \$27.7 million, and the PERSI had investments in TIPS with a fair value of \$1.0 billion.

The Idaho Housing and Finance Association has five U.S. agency obligations with an aggregate value of \$8.3 million with call options.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at a higher price.

The Idaho Housing and Finance Association invests excess cash overnight in repurchase agreements that are held in the Association's account in the name of the bank and are collateralized by the U.S. government and agency obligations. The Association had repurchase agreements of \$7.0 million with Wells Fargo Bank and \$9.7 million with KeyBank Bank.

Idaho State University Foundation invests idle cash in uninsured repurchase agreements that are fully collateralized by the U.S. government. The Foundation had repurchase agreements of \$2.9 million with Key Bank National Association.

Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Idaho Code, Section 67-1210A, authorizes the STO to engage in securities lending agreements. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The cash collateral received is held in a separate account in the name of the STO. The

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average

term of these loans is under ten days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between one day and three years. As of June 30, 2009, more than 73 percent of the portfolio was invested in instruments with a one-day maturity and the weighted average maturity of the cash collateral portfolio was 88 days.

Primary Government and Fiduciary Funds
Balances of Securities Lending Transactions at June 30, 2009
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Treasury Obligations	\$555,669	\$566,881
U.S. Government Agency Obligations	855,185	872,490
Mortgage-Backed Securities	141,719	144,845
Corporate Debt Instruments	22,558	23,223
Total	\$1,575,131	\$1,607,439

The STO pool portfolio and internal participants' portions of the LGIP reinvestment of securities lending balances are reported in the General Fund. The reinvestment of securities lending balances attributable to the LGIP and the DBF external participants are reported in the investment trust funds. These amounts do not include the EFIB or Judges' securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends securities for collateral in the form of cash, irrevocable letters of credit or securities worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). At year-end the EFIB had no credit risk exposure to borrowers because the collateral exceeded the amounts borrowed. The securities loans can be terminated on demand by either the EFIB or the borrower. The EFIB is indemnified if the borrowers fail to return the securities or fail to pay the EFIB for income distributions by the securities issuers while the securities are on loan. At June 30, 2009, the average term of a loan was 46 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. The EFIB cannot pledge or sell collateral securities unless the borrower defaults.

The Judges' Retirement fund engages in securities lending transactions. The Judges' custodian, Northern Trust Company, lends securities for collateral in the form of cash, securities and irrevocable letters of credit worth at least 102 percent of the lent securities' fair value, (105 percent for international securities). The carrying amount and fair value of the securities on loan was approximately \$4.4 million and the underlying collateral for these securities has a market value of approximately

\$4.2 million. Because these securities cannot be pledged or sold unless the borrower defaults, the collateral and related liability are not presented in the statement of net assets. The fund is indemnified for losses by the custodian in the event the borrowers fail to return the securities, the collateral received is insufficient to replace the securities, or the borrowers fail to pay the fund for income distributions by the securities issuers while the securities are out on loan. All loans of securities can be terminated on demand by either the fund or the borrower.

Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

The Idaho State Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc. on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the expiration date of September 1, 2025. The Authority executed this forward interest rate swap contract for a specified proposed refunding of the 1998A bonds. The Authority

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

intended to terminate the swap contract prior to the implementation date if the termination payment to be received by the Authority equaled or exceeded two times the present value savings for the bonds for which the swap contract was executed. The contract was implemented as of June 3, 2008. In September 2008, Lehman filed for bankruptcy. On December 1, 2008, the Authority terminated the swap contract by paying Lehman \$7.1 million. The Authority entered into a new swap contract with Barclays Capital on December 1, 2008, and received \$7.4 million. The contract is in a liability position of \$6.7 million. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the 1-month London Interbank Offered Rate (LIBOR). The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Accrued Liabilities at fair value.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date. The EFIB's use of these securities is limited to small positions in the EFIB international and domestic equity portfolios established primarily for hedging or passive rebalancing. At June 30, 2009, the EFIB held 42 S&P 500 contracts with a fair value of \$9.6 million and 460 10-year treasury contracts with a fair value of \$53.5 million. The mark-to-market payable as of that date was \$16,305, which was paid on July 1, 2009.

The PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2009, the PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of (\$59,242), which is included in Fixed-Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. The PERSI had the following net futures contracts exposure:
 - (a) Cash and cash equivalents (Euro) of \$39.4 million
 - (b) U.S. Treasury bond futures of (\$2.0) million
 - (c) U.S. Treasury note futures of \$39.4 million
 - (d) German Treasury note futures of \$6.8 million

- Option contracts give the PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. The PERSI had option contracts payable with a fair value of \$92,691, which is included in the liabilities as Investments Purchased.

The PERSI had the following option contracts exposure:

- (a) Cash and cash equivalents written call options of \$3,488
 - (b) Cash and cash equivalents written put options of \$1,000
 - (c) Fixed-income written call options of \$76,734
 - (d) Fixed-income written put options of \$11,469
- The PERSI has entered into forward foreign currency exchange contracts to purchase or sell currency at various dates in the future at a specific price. Some of the PERSI's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. The PERSI and the investment managers have established controls to monitor the creditworthiness of the counterparties. The PERSI had entered into forward currency contracts to sell foreign currencies with a fair value of \$952.6 million and had entered into forward currency contracts to buy foreign currencies with a fair value of \$958.8 million. Forward currency contracts are receivables or liabilities reported as Investments Sold or Investments Purchased.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Derivative Products Inc. on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed-rate debt obligation. During the fiscal year, the Association terminated its interest swap contracts with Lehman Brothers Derivative Products Inc. on several single-family mortgage bond issues. Concurrently, the Association established contracts with Barclays Capital. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities was an aggregate amount of \$82.4 million.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

C. Restricted Assets

A portion of cash and investments are classified as restricted assets for governmental activities, business-type activities, and component units on the Statement

of Net Assets. The break out of purpose and amount are as follows:

Primary Government and Component Units
Restricted Assets at June 30, 2009
(dollars in thousands)

Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Group Insurance Reserves	\$40,305
Pollution Clean Up	3,819
Bond Covenants	703
Matching Fund Contributions	10,110
Donors for Various Projects	6,641
Petroleum Violation Escrow	4,175
Legal Settlements	424
Transportation Project Costs	86
Legislation and Donations	5,141
The Idaho State Bar Client Assistance Fund	382
Debt Service	55,942
Restricted Investments:	
Matching Fund Contributions	370
Donors for Various Projects	3,266
Legal Settlements	2,164
Legislation and Donations	73,199
	<u>\$206,727</u>
<u>Business-Type Activities:</u>	
Restricted Cash:	
Debt Service	\$553
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	23,830
Bond Indentures	25,381
Idaho Lottery Dividends Payout	34,375
Restricted Investments:	
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	61,382
Bond Indentures	1,173
	<u>\$146,694</u>
<u>Component Units:</u>	
Restricted Cash:	
Single-Family and Multi-Family Escrow Deposits	\$25,371
Multi-Family Escrow Deposits	1,698
Donors for the College and University Foundations	12,632
Restricted Investments:	
Donors for the College and University Foundations	2,790
	<u>\$42,491</u>

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 3. EXTERNAL INVESTMENT POOLS**A. Overview of the External Investment Pools**

Idaho Code, Sections 67-1301 and 67-2328 authorizes the State Treasurer to combine the money of public agencies jointly in external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10.0 million. Withdrawals of more than \$10.0 million require 3 business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2009, was 58 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of \$10.0 million or less generally require 5 business days' notification prior to the last day of the month. Withdrawals of more than \$10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2009, was 2.8 years. The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. Both pools are rated 'AAA' by Standard & Poor's Ratings Services. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because only the external portion of investment pool assets is required to be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2009. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

In March 2009 the DBF received \$0.7 million as a result of litigation of Tyco International. Internal participant funds generally receive the income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund whose investment income is assigned to the Miscellaneous Special Revenue fund (a nonmajor governmental fund) per Idaho Code 72-1347A.

The LGIP and the DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed and no custodial credit risk existed because the securities were held by the State's agent in the STO's name. No restrictions exist on the amount of loans that can be made. Substantially all securities loans can be terminated on demand either by the State or by the borrower. Generally the average term of these loans is under 10 days. The cash collateral received is invested by the agent in marketable securities with maturities ranging between one day and three years. As of June 30, 2009, more than 75 percent of the LGIP cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all collateral investments was 61 days; more than 83 percent of the DBF cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all cash collateral investments was 15 days.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Interest rate risk occurs when investments are fixed for longer periods. The Pools do not have a formally adopted policy to address interest rate risk.

Concentration of credit risk results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration of credit risk is present. The GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or the DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by

the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

B. Local Government Investment Pool

Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2009
(amounts in thousands)

Assets	
Investments, at Fair Value	\$1,571,980
Interest Receivable to the Pool	1,044
Reinvestment of Securities Lending Collateral	966,308
Securities Lending Income Receivable	386
Total Assets	2,539,718
Liabilities	
Distributions Payable	682
Administrative Fees Payable	33
Obligations Under Securities Lending	966,308
Securities Lending Agent Fees Payable	43
Securities Lending Borrower Rebates Payable	216
Total Liabilities	967,282
Net Assets Held in Trust for Pool Participants	\$1,572,436
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$1,485,290
Net Assets Held in Trust for Internal Participants (\$1.00 par)	87,146
Net Assets Held in Trust for Pool Participants	\$1,572,436
Total Participant Units Outstanding (\$1.00 par)	1,563,660
Participant Net Asset Value, Offering Price and Redemption Price Per Share (\$1,572,436 divided by 1,563,660 units)	\$1.01

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Local Government Investment Pool

Condensed Statement of Operations and Changes in Net Assets

For the Fiscal Year Ended June 30, 2009

(dollars in thousands)

Investment Income	
Interest Income	\$21,386
Securities Lending Income	8,653
Change in Fair Value of Investments	8,784
Total Investment Income	38,823
Expense	
Administrative Fees	(439)
Securities Lending Agent Fees	(339)
Securities Lending Borrower Rebates	(7,296)
Total Investment Expense	(8,074)
Net Investment Income	30,749
Distributions to Participants	
Distributions Paid and Payable	(29,646)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	\$3,498,967
Pooled Participant Withdrawals	(3,521,399)
Change in Net Assets and Shares Resulting From	
Share Transactions	(22,432)
Total Change in Net Assets	(21,329)
Net Assets Held in Trust for Pool Participants	
Beginning of Period	1,593,765
End of Period	\$1,572,436

Local Government Investment Pool

Summary of Fair Value and Interest Rate Risk at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities	
			In Years	
			Less than 1	1-5
Money Market Mutual Funds	\$524,046	0.400% -0.470%	\$524,046	
Corporate Debt Instruments	9,978	0.934% -8.300%	5,006	\$4,972
U.S. Government Agency Obligations	698,245	0.150% -3.750%	628,161	70,084
U.S. Treasury Obligations	339,711	0.160% -0.390%	339,711	
Total Securities	1,571,980		1,496,924	75,056
Accrued Interest	1,044		1,044	
Reinvestment of Securities Lending Collateral:				
Money Market Mutual Funds	185,854	0.000% -0.243%	185,854	
Repurchase Agreements	534,920	0.340% -0.740%	534,920	
Corporate Debt Instruments	223,052	0.370% -1.211%	177,358	45,694
Asset-Backed Securities*	22,482	0.290% -0.375%	3,198	19,284
Securities Lending Income Receivable	386		386	
Total Assets	\$2,539,718		\$2,399,684	\$140,034

*These securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Local Government Investment Pool

Change in Fair Value

(dollars in thousands)

Fair Value of Investments at June 30, 2009	\$1,571,980
Proceeds of Investments Sold in FY2009	8,285,025
Cost of Investments Purchased in FY2009	(8,257,943)
Fair Value at June 30, 2008	(1,590,278)
Change in Fair Value of Investments During FY2009	\$8,784

Local Government Investment Pool

Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Federal Home Loan Bank	\$169,728	6.69
Federal Home Loan Mortgage Corporation	168,028	6.62
Federal National Mortgage Association	189,998	7.49

Local Government Investment Pool

Credit Quality Ratings of Debt Securities at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	B	Caa	C	Unrated
Money Market Mutual Funds	\$524,046	\$524,046							
Corporate Debt Instruments	9,978		\$506	\$9,472					
U S Government Agency Obligations	698,245	698,245							
Reinvestment of Securities Lending Collateral:									
Money Market Mutual Funds	185,854	33,144						\$7,544	\$145,166
Repurchase Agreements	534,920								534,920
Corporate Debt Instruments	223,052		24,998	198,054					
Asset-Backed Securities	22,482			3,198	\$5,471	\$9,232	\$4,581		
Total Investments	\$2,198,577	\$1,255,435	\$25,504	\$210,724	\$5,471	\$9,232	\$4,581	\$7,544	\$680,086

Moody's or equivalent credit quality ratings have been used

Local Government Investment Pool

Balances of Securities Lending Transactions at June 30, 2009

(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$154	\$160
U.S. Government Agency Obligations	628,277	640,766
U.S. Treasury Obligations	339,711	345,963
Total	\$968,142	\$986,889

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

C. Diversified Bond Fund

Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2009
(amounts in thousands)

Assets	
Investments, at Fair Value	\$383,695
Interest Receivable to the Pool	2,167
Reinvestment of Securities Lending Collateral	190,514
Securities Lending Income Receivable	75
Total Assets	576,451
Liabilities	
Distributions Payable	1,134
Administrative Fees Payable	5
Obligations Under Securities Lending	190,514
Securities Lending Agent Fees Payable	7
Securities Lending Borrower Rebates Payable	47
Total Liabilities	191,707
Net Assets Held in Trust for Pool Participants	\$384,744
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$100,779
Net Assets Held in Trust for Internal Participants (\$1.00 par)	283,965
Net Assets Held in Trust for Pool Participants	\$384,744
Total Participant Units Outstanding (\$1.00 par)	377,875
Participant Net Asset Value, Offering Price and Redemption	
Price Per Share (\$384,744 divided by 377,875 units)	\$1.02

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Diversified Bond Fund

Condensed Statement of Operations and Changes in Net Assets

For the Fiscal Year Ended June 30, 2009

(dollars in thousands)

Investment Income	
Interest Income	\$17,941
Securities Lending Income	1,297
Change in Fair Value of Investments	5,297
Tyco Settlement	700
Total Investment Income	25,235
Expense	
Administrative Fees	(778)
Securities Lending Agent Fees	(43)
Securities Lending Borrower Rebates	(1,125)
Total Investment Expense	(1,946)
Net Investment Income	23,289
Distributions to Participants	
Distributions Paid and Payable	(15,518)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	\$76,842
Pooled Participant Withdrawals	(91,300)
Change in Net Assets and Shares Resulting From Share Transactions	(14,458)
Total Change in Net Assets	(6,687)
Net Assets Held in Trust for Pool Participants	
Beginning of Period	391,431
End of Period	\$384,744

Diversified Bond Fund

Summary of Fair Value and Interest Rate Risk at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities In Years		
			Less than 1	1-5	6-10
Money Market Mutual Fund	\$62,819		\$62,819		
Corporate Debt Instruments	25,955	1.639%-5.900%		\$16,844	\$9,111
Asset-Backed Securities*	3,029	4.900%-6.590%		3,029	
Mortgage-Backed Securities*	11,865	6.020%		36	11,829
U.S. Gov't Agency Obligations	30,144	2.750%-5.000%		22,733	7,411
U.S. Gov't Agency Mortgage-Backed Securities*	184,467	4.000%-6.500%	6,041	150,291	28,135
U.S. Gov't Corporation Mortgage-Backed Securities*	13,358	5.250%-6.000%		13,358	
U.S. Treasury Obligations	52,058	1.375%-6.500%	19,926	32,132	
Total Securities	383,695		88,786	238,423	56,486
Accrued Interest	2,167		2,167		
Reinvestment of Securities Lending Collateral:					
Money Market Mutual Fund	50,884	0.000%-0.243%	50,884		
Corporate Debt Instruments	31,948	0.370%-0.670%	27,975	3,973	
Repurchase Agreements	107,682	0.490%-0.700%	107,682		
Securities Lending Income Receivable	75		75		
Total Assets	\$576,451		\$277,569	\$242,396	\$56,486

*These securities are reported using weighted-average maturity to more accurately reflect the projected terms of the securities, considering interest rates and repayment terms.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

Diversified Bond Fund

Change in Fair Value

(dollars in thousands)

Fair Value of Investments at June 30, 2009	\$383,695
Proceeds of Investments Sold in FY2009	422,410
Cost of Investments Purchased in FY2009	(410,705)
Fair Value at June 30, 2008	(390,103)
Change in Fair Value of Investments	\$5,297

Diversified Bond Fund

Concentration of Credit Risk at June 30, 2009

(dollars in thousands)

Issuer	Fair Value	Percent of Total DBF Investments
Citigroup	\$37,000	6.44
Federal Home Loan Mortgage Corporation	78,828	13.73
Federal National Mortgage Association	114,346	19.91
Goldman Sachs	37,064	6.45
Morgan Stanley	38,000	6.62

Diversified Bond Fund

Credit Quality Ratings of Debt Securities at June 30, 2009

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	C	Unrated
Money Market Mutual Fund	\$62,819	\$62,819					
Corporate Debt Instruments	25,955		\$18,167	\$4,382	\$3,406		
Asset-Backed Securities	3,029	3,029					
Mortgage-Backed Securities	11,865	11,865					
U S Gov't Agency Obligations	30,144	30,144					
U S Gov't Agency Mortgage-Backed Securities	184,467	184,467					
Reinvestment of Securities Lending Collateral:							
Money Market Mutual Fund	50,884	29,193				\$1,691	\$20,000
Corporate Debt Instruments	31,948		8,000	23,948			
Repurchase Agreements	107,682						107,682
Total Investments	\$508,793	\$321,517	\$26,167	\$28,330	\$3,406	\$1,691	\$127,682

Moody's or the equivalent credit quality ratings have been used

Diversified Bond Fund

Balances of Securities Lending Transactions at June 30, 2009

(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$9,201	\$9,517
U.S. Treasury Obligations	52,058	53,778
Mortgage-Backed Securities	94,617	96,586
U.S. Government Agency Obligations	30,144	30,983
Total	\$186,020	\$190,864

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances consist of the following receivables and payables (*dollars in thousands*):

		Interfund Payables						
Interfund Receivables	General Fund	Health and Welfare	Transportation	Nonmajor Governmental	College and University	Nonmajor Enterprise	Pension Trust	Total
	General Fund			\$536	\$5,299	\$835		\$6,670
	Health and Welfare			12				12
	Nonmajor Governmental	\$110	\$131	1,756				1,997
	College and University	\$1,569	369	161	1,244			3,343
	Nonmajor Enterprise	11	164	53	20			248
	Internal Service	17	388	45				498
	Pension Trust						\$1,626	1,626
	Total	\$1,597	\$867	\$504	\$3,646	\$835	\$1,626	\$14,394

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The receivables not expected to be collected within one year include \$0.3 million advanced by the General Fund to nonmajor special revenue funds and \$1.4 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.

B. Interfund Transfers

Interfund transfers for the fiscal year were as follows (*dollars in thousands*):

		Transfers In						
Transfers Out	General Fund	Health and Welfare	Land Endowments	Nonmajor Governmental	College and University	Loan	Internal Service	Total
	General Fund	\$491,806		\$16,920	\$311,601	\$3,084	\$1,830	\$825,241
	Health and Welfare			231				231
	Transportation			15,602				15,602
	Land Endowments	\$42,413						42,413
	Nonmajor Governmental	64,869	2,210	\$2,164	276	1,016		70,635
	Unemployment Compensation			13,766				13,766
	Loan			86				86
	Nonmajor Enterprise	45,844	2,730	1,528				50,102
	Internal Service	209						209
	Total	\$153,335	\$496,746	\$2,164	\$48,409	\$4,100	\$1,830	\$1,018,285

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009

- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that has budgetary authorization to spend them.

- \$2.2 million to the General Fund from the Consumer Protection Fund to help balance the fiscal year 2009 budget.

During fiscal year 2009 the following nonroutine statutory transfer was made:

NOTE 5. NONCURRENT RECEIVABLES

Primary Government

Loans and notes receivable in the General Fund consist of long-term receivables from low interest loans made available to upgrade and modernize Idaho's freight-shipping infrastructure in the amount of \$2.6 million, which is not expected to be collected within one year. Taxes receivable not expected to be collected within one year in the General Fund consist of income and sales tax and overpaid tax refunds in the amount of \$38.2 million, net of allowance for doubtful accounts of \$0.4 million.

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of \$0.3 million, which is not expected to be collected within one year. Taxes receivable in the Transportation fund consist of long-term receivables for fuel tax in the amount of \$22.9 million, of which \$1.5 million is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds consist of long-term receivables for energy and soil conservation projects and for the construction of an irradiation facility in the amount of \$12.0 million. The amount not expected to be collected within one year is \$10.2 million. Accounts receivable not expected to be collected within one year in the nonmajor special revenue funds includes \$2.6 million, net of allowance for doubtful accounts of \$1.9 million. These amounts are related to compliance penalties, restitution to crime victims who have suffered an economic loss, and cost of supervision of individuals on probation and parole.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of \$246.5 million, of which \$236.2 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund consist of student loans in the amount of \$26.1 million, net of allowance for doubtful accounts of \$2.0 million. The amount not expected to be collected within one year is \$22.8 million.

Noncurrent interfund receivables are discussed in Note 4.

Component Units

Loans, notes, and pledges receivable for the Idaho Housing and Finance Association consist of long-term receivables from single-family mortgage loans in the amount of \$1.5 billion. The amount not expected to be collected within one year is \$1.4 billion.

Loans, notes, and pledges receivable for the College and University Foundation consist of long-term receivables mainly from pledges in the amount of \$33.5 million, net of allowance for doubtful accounts of \$1.0 million. The amount not expected to be collected within one year is \$23.9 million.

Loans, notes, and pledges receivable for the Bond Bank Authority consist of long-term receivables from loans to municipalities in the amount of \$176.7 million. The amount not expected to be collected within one year is \$172.6 million.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows (*dollars in thousands*):

Primary Government

Governmental Activities:	Balances at July 1, 2008	Increases	Decreases	Balances at June 30, 2009
Capital Assets not Being Depreciated:				
Land	\$948,599	\$30,615	(\$5,735)	\$973,479
Construction in Progress	968,930	363,051	(243,786)	1,088,195
Infrastructure	1,919,944	122,653	(12,073)	2,030,524
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	3,837,595	516,319	(261,594)	4,092,320
Capital Assets Being Depreciated:				
Buildings and Improvements	659,098	47,059	(7,354)	698,803
Improvements Other Than Buildings	59,015	10,009	(742)	68,282
Machinery, Equipment, and Other	337,411	56,512	(34,496)	359,427
Infrastructure	630,198	71,769	(5,123)	696,844
Total Capital Assets Being Depreciated	1,685,722	185,349	(47,715)	1,823,356
Less Accumulated Depreciation for:				
Buildings and Improvements	(249,577)	(15,609)	1,521	(263,665)
Improvements Other Than Buildings	(17,170)	(3,229)	41	(20,358)
Machinery, Equipment, and Other	(212,041)	(26,432)	11,602	(226,871)
Infrastructure	(159,286)	(11,717)	882	(170,121)
Total Accumulated Depreciation	(638,074)	(56,987)	14,046	(681,015)
Total Capital Assets Being Depreciated, Net	1,047,648	128,362	(33,669)	1,142,341
Governmental Activities Capital Assets, Net	\$4,885,243	\$644,681	(\$295,263)	\$5,234,661

Note: \$716 was received in insurance recoveries for damage to capital assets, which is reported as other income.

Depreciation expense was charged to functions of governmental activities as follows (*dollars in thousands*):

General Government	\$8,732
Public Safety and Correction	7,423
Health and Human Services	3,270
Education	2,283
Economic Development	24,373
Natural Resources	8,697
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	2,209
Total Depreciation Expense for Governmental Activities	\$56,987

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

	Balances at July 1, 2008 As Restated*	Increases	Decreases	Balances at June 30, 2009
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land	\$68,800	\$3,928	(\$1,863)	\$70,865
Construction in Progress	73,337	63,233	(79,620)	56,950
Historical Art and Collections	2,144	24	(10)	2,158
Intangible Assets-- Water Rights	44,382		(20,000)	24,382
Total Capital Assets not Being Depreciated	188,663	67,185	(101,493)	154,355
Capital Assets Being Depreciated:				
Buildings and Improvements	980,178	102,646	(417)	1,082,407
Improvements Other Than Buildings	47,146	1,090	(62)	48,174
Machinery, Equipment, and Other	326,772	28,662	(11,519)	343,915
Total Capital Assets Being Depreciated	1,354,096	132,398	(11,998)	1,474,496
Less Accumulated Depreciation for:				
Buildings and Improvements	(325,780)	(26,602)	128	(352,254)
Improvements Other Than Buildings	(25,578)	(1,918)	60	(27,436)
Machinery, Equipment, and Other	(233,991)	(22,640)	10,279	(246,352)
Total Accumulated Depreciation	(585,349)	(51,160)	10,467	(626,042)
Total Capital Assets Being Depreciated, Net	768,747	81,238	(1,531)	848,454
Business-Type Activities Capital Assets, Net	\$957,410	\$148,423	(\$103,024)	\$1,002,809
Component Units:				
Capital Assets not Being Depreciated:				
Land	\$4,401		(\$3,394)	\$1,007
Total Capital Assets not Being Depreciated	4,401	0	(3,394)	1,007
Capital Assets Being Depreciated:				
Buildings and Other Improvements	12,179		(2,190)	9,989
Improvements Other than Buildings	495	\$97	(55)	537
Machinery, Equipment, and Other	3,307	361	(255)	3,413
Total Capital Assets Being Depreciated	15,981	458	(2,500)	13,939
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(4,915)	(222)	528	(4,609)
Improvements Other than Buildings	(253)	(9)	55	(207)
Machinery, Equipment, and Other	(3,003)	(186)	255	(2,934)
Total Accumulated Depreciation	(8,171)	(417)	838	(7,750)
Total Capital Assets Being Depreciated, Net	7,810	41	(1,662)	6,189
Component Unit Activities Capital Assets, Net	\$12,211	\$41	(\$5,056)	\$7,196

* Beginning balances for business-type activities were adjusted for the transfer of water rights.

* Beginning balances for component units were adjusted between asset classes.

Note: Capital assets of \$35,767 are not included above for The Housing Company (THC), which prepared financial statements under FASB standards. THC is a component unit of the Idaho Housing and Finance Association.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 7. RETIREMENT PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement System Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents and establishing funding policy. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic resources measurement focus.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments held by the PERSI Base Plan and the FRF are pooled.

1. PERSI Base Plan

Plan Description

Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by Idaho Code, Sections 59-1301 through 59-1399.

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. The number of participating employer units is 724.

Benefits

The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year on the condition the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Funding Policy

Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code, Section 59-1322, is 25 years.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

The last actuarial valuation was performed as of July 1, 2009. Normal cost is 14.62 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.27 percent of covered payroll.

The contribution rates for the year were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.65%

Employer contributions required and paid were \$68.5 million, \$72.5 million, and \$74.3 million for the fiscal years ended June 30, 2007, 2008, and 2009, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest are refundable. Interest is compounded monthly per annum and accrued at 1 percent January 1 through June 30, 2009; and 17.51 percent July 1 through December 31, 2008. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, the colleges and universities are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year was 1.49 percent for colleges and universities. Eastern Idaho Technical College is required to contribute 3.83 percent to the PERSI Base Plan through July 1, 2011.

Funding

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

2. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by Idaho Code, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Twenty-three employer units, all consisting of local fire departments, were participating in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose

The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by Idaho Code, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

Membership

The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 724 employer units eligible to have participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

Funding Policy

Contributions

Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix without restriction and may elect to change their salary deferral. On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Employers and participants in the plans contributed \$0.2 million and \$35.7 million, respectively, during the fiscal year.

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, district court judges, and eligible administrative directors, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by Idaho Code, Sections 68-501 through 68-514; and Idaho Code, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to 4 years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service
- after 20 years of service

The JRF has 71 retired members or beneficiaries collecting benefits, 8 terminated members entitled to, but not yet receiving benefits, and 49 active members.

Benefits

The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho

Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

For the first 10 years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, option B includes:

Benefits credited at 12.5 percent per year for senior judges with 5 years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service any member retiring by reason of disability will be entitled to benefits calculated using option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of the member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$6.1 million for the fiscal year. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over

25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected annual salary increases of 3 percent, and annual postretirement benefit increases of 3 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of June 30, 2009, the annual required contribution (ARC) is \$2.4 million. Total Judicial Department and member contributions to the pension plan for the fiscal year amounted to \$2.4 million, of which \$1.7 million was received from filing fees, \$0.4 million from the Judicial Department, and \$0.3 million from the members. Net pension obligation increased from \$2.4 million in 2008 to \$2.7 million in 2009 due to the annual pension cost exceeding the employer's contributions. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the change in actuarial value of plan assets.

The funding progress for the fiscal year is as follows (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/09	\$48,439	\$75,345	\$26,906	64.3%	\$5,960	451

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation
(dollars in thousands)

	2007	2008	2009
Annual Required Contribution (ARC)	\$2,523	\$2,582	\$2,377
Interest on Net Pension Obligation (NPO)	80	129	178
Adjustment to ARC	(96)	(154)	(213)
Annual Pension Cost (APC)	2,507	2,557	2,342
Employer Contributions Made	(1,864)	(1,896)	(2,006)
Increase in NPO	643	661	336
Prior Year NPO	1,071	1,714	2,375
Current Year NPO	\$1,714	\$2,375	\$2,711
Percentage of APC Contributed	74.3	74.2	85.7

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt

employees. The ORP is governed by Idaho Code, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2009

Membership

New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year was \$38.6 million, which consisted of \$22.0 million from the colleges and universities and \$16.6 million from employees. The contribution rates as a percentage of payroll for the fiscal year are as follows:

Employee Group	Employer	Employee
Boise State University	9.26%	6.97%
Eastern Idaho Technical College	7.72%	6.97%
Idaho State University	9.30%	6.97%
Lewis-Clark State College	9.35%	6.97%
University of Idaho	9.26%	6.97%

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by Idaho Code, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership

As of September 30, 2008, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	401
Inactive Participants	10
Current Active Employees	<u>28</u>
Total	439

Benefits

The retirement benefit payments are calculated using a benefit formula established in the Plan. This monthly benefit is payable for life, through an annuity purchased, for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Once an annuity is purchased Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2008, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$122.2 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2009. Net assets available for benefits (at fair value) are \$179.4 million.

Funding Policy

Contributions

Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2009, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2010. The total employer contribution for federal fiscal year 2008 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability, and

life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

plans are reported as agent multiple-employer defined benefit plans. The Life Insurance benefit is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2008. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees, \$0.30 per person per month for fiscal year 2009. This rate is reviewed annually.

Each of the participating employers is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The University issues a publicly available financial report that includes financial statements and required supplementary information for these benefits. That report may be obtained by writing to the University of Idaho, P.O. Box 443166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2008. The University has established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2008. The cost of administering the medical and dental portion of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

	Participating Employers and Classes of Employees					
	Retiree Healthcare Plan	Long-Term Disability Plan			Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Active Employees	20,107	-	20,107	20,107	4,719	1,272
Retired/Disabled Employees	3,092	148	125	572	1,290	837
Terminated, Vested Employees	3,484	-	3,484	3,484	11	-
Number of participating employers	27	27	27	27	1	1

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited service. Effective July 1, 2009, changes to this benefit regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree who is currently eligible will remain so until they are eligible for Medicare. Beginning January 1, 2010, coverage will not be available to Medicare-eligible retirees or their Medicare-

eligible dependents. These changes have significantly reduced the liability.

Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2009 retired plan members contributed 83.3 percent of the total premium cost. In fiscal year 2009 employers were charged \$26.00 per active employee per month towards the retiree premium cost, 16.7 percent of the total cost of the retiree plan.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary, the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2009

disability or exhaustion of accrued sick leave must be met.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.328 percent of payroll. The employers' actual contribution was \$2.9 million in fiscal year 2009. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

For up to 30 months following the date of disability an employee may continue healthcare coverage under this plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2009 employers were charged \$6.96 per active employee per month.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at

least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed \$5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

Life Insurance Contribution Rates

	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	2.037%	1.568%	1.081%	
Judicial Department	1.940%	1.471%	0.984%	
Department of Labor				0.984%

University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for these benefits. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits.

Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; however, the employee pays the entire cost of the premiums. The University determines the defined premium costs that will be borne by the retiree plan participants. The University solely bears the risk for adverse financial performance, subject to a cap of \$150,000 per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Revenues and contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a

liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value. The financial position of each of the State's OPEB plans is as follows:

Statement of Plan Net Assets						
(dollars in thousands)						
	Retiree Healthcare Plan	Long-Term Disability Plan		Retiree Life Insurance Plan	University of Idaho Plan	
		Income	Healthcare	Insurance		
ASSETS						
Pooled Cash and Investments	\$225		\$105			\$136
Interest Receivable						5
Investments, at Fair Value						
Fixed Income Securities						2,383
Equity Securities						2,114
Total Assets	<u>\$225</u>	<u>\$0</u>	<u>\$105</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,638</u>
LIABILITIES						
Deferred Revenue	\$225		\$105			
Total Liabilities	<u>\$225</u>	<u>\$0</u>	<u>\$105</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
NET ASSETS						
Net Assets Held in Trust for OPEB						4,638
Total Net Assets						<u>4,638</u>
TOTAL LIABILITIES AND NET ASSETS						<u>\$4,638</u>

Statement of Changes in Plan Net Assets

(dollars in thousands)

	University of Idaho Plan
ADDITIONS	
Contributions	
Employer	\$5,295
Total Contributions	<u>5,295</u>
Interest	82
Realized Capital Gains	37
Total Additions	<u>\$5,414</u>
DEDUCTIONS	
Unrealized loss on investments	\$775
Administrative expenses	1
Total Deductions	<u>\$776</u>
Net Increase in Plan Net Assets	<u>\$4,638</u>
Net Plan Assets, Beginning of Year	<u>0</u>
Net Plan Assets, End of Year	<u>\$4,638</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement Nos. 43 and 45. The following table illustrates the annual OPEB

cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO) and NOO (funding excess) for the current year:

Annual OPEB Cost and Net OPEB Obligation (NOO)

(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Income	Healthcare	Life Insurance		
Annual required contribution	\$3,272	\$881	\$1,573	\$703	\$2,673	\$6,362
Interest on NOO	1,139	(32)	30	14	93	
Adjustment to ARC	(1,560)	43	(41)	(19)	(127)	
Total Annual OPEB Cost	2,851	892	1,562	698	2,639	6,362
Contributions Made	(3,165)	(857)	(1,500)	(1,029)	(961)	(6,430)
Increase (Decrease) in NOO	(314)	35	62	(331)	1,678	(68)
NOO (Funding Excess) – Beginning of Year	25,476	(646)	674	317	2,055	(77)
NOO (Funding Excess) – End of Year	\$25,162	(\$611)	\$736	(\$14)	\$3,733	(\$145)

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed, and the net

OPEB obligation (funding excess) for the current and prior year.

Annual OPEB Cost and Net OPEB Obligation Comparison (NOO)

(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Income	Healthcare	Life Insurance		
Annual OPEB Cost	2008	\$33,311	\$238	\$1,540	\$706	\$2,542	\$7,157
	2009	\$2,851	\$892	\$1,562	\$698	\$2,639	\$6,362
Percentage of AOC Contributed	2008	23.5%	371.3%	56.2%	55.1%	19.2%	101.1%
	2009	111.0%	96.0%	96.1%	147.4%	36.4%	101.1%
NOO (Funding Excess) – End of Year	2008	\$25,476	(\$646)	\$674	\$317	\$2,055	(\$77)
	2009	\$25,162	(\$611)	\$736	(\$14)	\$3,733	(\$145)

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer:

Funded Status and Funding Progress (dollars in thousands)						
	Retiree Healthcare Plan	Long-Term Disability Plan		Retiree Life Insurance Plan	University of Idaho Plan	
	Income	Healthcare	Life Insurance	Plan	Idaho Plan	
Actuarial Valuation Date	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008	7/1/2008
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0	\$8,333
2 Actuarial Accrued Liability (AAL)	21,603	5,813	9,975	8,344	33,482	77,141
3 Unfunded AAL (UAAL) (2) - (1)	\$21,603	\$5,813	\$9,975	\$8,344	\$33,482	\$68,808
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%	10.8%
5 Annual Covered Payroll	\$803,608	\$803,608	\$803,608	\$803,608	\$248,565	\$129,435
6 UAAL as a Percentage of Covered Payroll (3) : (5)	2.7	0.7	1.2	1.0	13.5	53.2

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members.

Any variations in future experience from that expected based on these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions						
	Retiree Healthcare Plan	Long-Term Disability Plan		Retiree Life Insurance Plan	University of Idaho Plan	
	Income	Healthcare	Life Insurance	Plan	Idaho Plan	
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar
Amortization Period	11 years, Closed	8 years, Closed	30 years, Open	30 years, Open	30 years, Open	30 years, Open
Assumptions:						
Inflation Rate	3.0%	3.0%	3.0%	3.0%	3.0%	N/A
Investment Return	4.50%	5.25%	4.50%	5.25%	4.50%	6.25%
OPEB Increases	N/A	N/A	N/A	N/A	3.75%	N/A
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%	3.75%	3.00%
Healthcare Cost Initial Trend Rate	13.60%	N/A	13.60%	N/A	N/A	11.00%
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	5.00%	N/A	N/A	5.00%

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the Idaho Tort Claims Act maximum of \$500,000 for each occurrence. Property damage claims are self-insured for up to \$250,000 per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Estimated liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end \$17.1 million of unpaid claim liabilities for Risk Management are presented at present value, \$15.8 million, using a 3.5 percent discount interest rate.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Life, health, and disability insurance programs are

experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 13.5 percent of the annual premiums for medical, 10 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2009 refunds from the Group Insurance carriers reflect favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$3.9 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Changes in policy claim liabilities are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Risk Management	2008	\$15,183	\$5,840	(\$3,915)	\$17,108
	2009	\$17,108	\$2,509	(\$3,792)	\$15,825
Group Insurance	2008	\$2,684	\$18,338	(\$17,966)	\$3,056
	2009	\$3,056	(\$4,436)	\$5,308	\$3,928

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 10. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, executory costs, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases do not qualify for capitalization. Therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the

related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2009 were \$28.0 million for the primary government and \$38,082 for component units. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

The State has entered into capital leases that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Assets under capital lease are as follows (*dollars in thousands*):

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land	\$390		\$390
Buildings and Improvements	12,230	\$6,973	19,203
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	4,182	2,595	6,777
Total Capital Leases	<u>\$17,411</u>	<u>\$9,568</u>	<u>\$26,979</u>

Future minimum lease commitments for noncancelable operating and capital leases are as follows (*dollars in thousands*):

Fiscal Year	<u>Operating Leases</u>		<u>Capital Leases</u>			
	Primary Government	Component Units	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Units	Total Primary Government
2010	\$27,259	\$9	\$1,769	\$466	\$423	\$2,658
2011	23,659	9	1,554	168	430	2,152
2012	20,958	9	1,373	34	426	1,833
2013	17,884	10	1,238		431	1,669
2014	13,502	12	1,156		429	1,585
2015 - 2019	26,528	73	4,377		1,280	5,657
2020 - 2024	5,096	99	3,707			3,707
2025 - 2029	4,139	139	539			539
2030 - 2034		48				
2035 - 2039		49				
Total Payments	<u>\$139,025</u>	<u>\$457</u>	<u>15,713</u>	<u>668</u>	<u>3,419</u>	<u>19,800</u>
Less Imputed Interest			(4,238)	(41)	(767)	(5,046)
Total Present Value of Minimum Lease Payments			<u>\$11,475</u>	<u>\$627</u>	<u>\$2,652</u>	<u>\$14,754</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

B. State as Lessor

Operating Leases

Non-state parties rent land, buildings, and improvements other than buildings under operating leases from the Departments of Correction, Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation; the Lava Hot Springs Foundation; and Idaho State University.

Capital Leases

The Boise State University Foundation, a component unit, leases a building, land, and equipment to Boise State University. The lease agreement does not specify a final lease term; at the end of the lease, the Foundation will either donate the building to the University or continue to lease the building for \$1 annually. The capital lease receivable is on the balance sheet as part of due from primary government and is valued at the net investment in direct financing lease.

The State leased the following assets under operating leases (*dollars in thousands*):

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	\$1,218		\$1,218
Buildings and Improvements	19,590	(\$1,140)	18,450
Improvements Other Than Buildings	10	(5)	5
Total	\$20,818	(\$1,145)	\$19,673

Future minimum rentals for operating leases and future minimum lease payments receivable for capital leases are as follows (*dollars in thousands*):

Fiscal Year	Operating Leases	Capital Leases
	Primary Government	Component Unit
2010	\$9,813	\$423
2011	6,528	430
2012	3,544	426
2013	2,890	431
2014	2,271	429
2015 - 2019	8,109	1,280
2020 - 2024	6,333	
2025 - 2029	5,029	
Total Rentals and Receivables	\$44,517	\$3,419
Net Investment in Direct Financing Lease:		
Minimum Lease Payments Receivable		\$3,419
Less Unearned Income		(767)
Net Investment in Direct Financing Lease		\$2,652

NOTE 11. SHORT-TERM DEBT

Primary Government

Idaho Code, Section 63-3201, authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such

factors are the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2009 the State anticipated that 42 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.8 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

the open market were issued on July 1, 2008, and were redeemed on June 30, 2009.

The University of Idaho entered into a line of credit agreement to finance safety renovations and improvements for the University's Kibbie Dome athletic facility. The total available line of credit extended to the University under this agreement is \$10.0 million. The University is required to make quarterly payments of accrued interest on this line of credit beginning March 31, 2009, with the entire principal balance and remaining accrued interest to be paid on December 31, 2010. This line of credit carries an indexed variable interest rate which was 2.6 percent as of June 30, 2009. The line of credit is secured by the University's cash and investments held in the accounts of Wells Fargo and/or any Wells Fargo affiliates.

Short-term debt activity was as follows (*dollars in thousands*):

	Beginning Balance	Issued/Draws	Redeemed/ Repayments	Ending Balance
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	\$0	\$600,000	(\$600,000)	\$0
Business-Type Activities:				
Line of Credit	\$0	\$1,880	\$0	\$1,880
Component Units				
Commercial Paper	\$30,000	\$1,089,000	(\$1,089,000)	\$30,000
Line of Credit	\$285	\$857	(\$882)	\$260

NOTE 12. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Primary Government

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2009, the Association has commercial paper outstanding, maturing within 30 to 90 days from date of issue, with a weighted average interest rate of 2.5 percent.

The Idaho Small Employer Health Reinsurance Program has a \$1.0 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 8 percent per annum. The line matures November 2, 2009, and is not secured.

Idaho Code, Section 67-5333, establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

Credited Hours of State Service	Maximum Allowable Hours
0-10,400 (0-5 years)	420
10,401-20,800 (5-10 years)	480
20,801-31,200 (10-15 years)	540
31,201+ (15 years or more)	600

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority is authorized by Idaho Code Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2009, under these surety bonds. The Authority has recorded an estimated arbitrage rebate liability of \$0.2 million for the Series 2005A bonds and the Series 2006A bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued \$616.2 million in bonds between 1996 and 2009. Annual principal and interest payments on the bonds are expected to require less than 11.8 percent of the revenues. The total principal and interest payments remaining on the bonds is \$731.7 million, payable through 2041. For the current year principal and interest payments and total pledged revenues were \$29.2 million and \$247.9 million, respectively. Boise State University has recorded an estimated arbitrage rebate liability of \$0.5 million.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 42-1739 through 42-1749. Bonds in the original amount of \$5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, and the assignment of water rights. These bonds are not considered general obligations of the State. The bonds are secured by a reserve fund with the trustee bank. A portion of the bonds is further secured by a reserve requirement equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan

fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. Total principal and interest remaining on the bonds is \$6.0 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require less than 81.6 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$0.6 million and \$0.7 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 67-6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments and the construction of highway transportation projects. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by principal and interest payments from the Idaho Transportation Department. The Association issued \$539.6 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds between 2006 and 2009 for the construction of highway transportation projects. The total principal and interest payments remaining on the bonds is \$753.7 million, payable through 2028. Annual principal and interest payments on the bonds are expected to require more than 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$53.7 million and \$42.4 million, respectively.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The BSU Foundation issued \$4.9 million in bonds during 2002. The total principal and interest payments remaining on the bonds is \$3.9 million, payable through 2018. Annual principal and interest payments on the bonds are expected to require 100 percent of the revenues. For the current year principal and interest payments and total pledged revenues were \$0.4 million and \$0.4 million, respectively.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution, Article VIII, Section 2A, and Idaho Code, Sections 67-8701 through 67-8728. The bonds are used by the Authority to make loans to Idaho cities in order to

finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities		Business-Type Activities					
	Nonmajor Special Revenue		College and University		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$23,272	\$12,339	\$14,065	\$20,458	\$340	\$259	\$37,677	\$33,056
2011	23,053	11,340	13,990	19,726	360	240	37,403	31,306
2012	24,210	10,289	12,195	18,728	380	220	36,785	29,237
2013	25,370	9,148	15,950	17,985	400	198	41,720	27,331
2014	25,620	7,943	14,410	17,256	425	175	40,455	25,374
2015-2019	51,170	30,121	74,640	73,738	2,515	477	128,325	104,336
2020-2024	50,080	19,823	74,050	52,067			124,130	71,890
2025-2029	18,935	10,515	47,635	35,926			66,570	46,441
2030-2034	10,270	8,184	47,850	22,755			58,120	30,939
2035-2039	13,230	5,258	36,105	7,879			49,335	13,137
2040-2044	14,155	1,571	93,735	509			107,890	2,080
Total	\$279,365	\$126,531	\$444,625	\$287,027	\$4,420	\$1,569	\$728,410	\$415,127
Interest Rate	2.50% to 5.98%		2.00% to 5.80%		5.46% to 6.28%			

Fiscal Year Ending June 30	Component Units							
	Idaho Housing and Finance Association		College and University Foundations		Idaho Bond Bank Authority		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$69,830	\$75,603	\$375	\$423	\$4,015	\$8,139	\$74,220	\$84,165
2011	51,365	74,170	445	409	4,250	7,826	56,060	82,405
2012	52,265	71,789	455	395	5,335	7,634	58,055	79,818
2013	55,710	69,318	475	379	5,650	7,411	61,835	77,108
2014	59,320	66,791	5,548	199	6,155	7,168	71,023	74,158
2015-2019	347,460	290,837	4,430	282	31,150	31,952	383,040	323,071
2020-2024	412,385	213,067	7,235	36	46,525	23,153	466,145	236,256
2025-2029	451,495	123,747			51,935	11,216	503,430	134,963
2030-2034	362,140	63,801			12,835	3,389	374,975	67,190
2035-2039	305,320	23,533			8,805	1,088	314,125	24,621
2040-2044	22,845	1,067					22,845	1,067
Total	\$2,190,135	\$1,073,723	\$18,963	\$2,123	\$176,655	\$108,976	\$2,385,753	\$1,184,822
Interest Rate	0.598% to 7.709%		*4.55% to 5.35%		2.50% to 5.625%			

* Interest for the ISU Foundation is re-marketed weekly and priced off the SIFMA index.

C. Advance Refundings

Primary Government

During the current year Boise State University issued \$42.6 million, at par, of General Revenue and Refunding Series 2009A bonds. Proceeds from the Series 2009A

bonds in the amount of \$30.8 million were received by the University for designated projects and costs of issuance. Additionally, \$12.1 million was deposited in

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2009

trust to refund portions of the Series 1998 Student Refunding and Improvement bonds, Series 1998 Student Union and Housing System Refunding bonds, and the Series 2001 Student Building Fee Revenue bonds. The aggregate difference in the debt service between the refunding debt and refunded debt was \$0.9 million and the net present value of the savings due to the refunding was \$0.8 million.

In prior years the Idaho State Building Authority defeased several bonds by placing governmental securities into irrevocable trusts sufficient to provide for

all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

The outstanding debt payable for each defeased debt issue follows (*dollars in thousands*):

Issuer	Debt Issue	Amount	Remaining
		Defeased	Liability
Idaho State Building Authority	2003 Series B Bonds	\$4,765	\$4,765
Boise State University	2001 Series Bonds	3,350	3,350
	2002 Series Bonds	34,710	34,710
University of Idaho	2001 Series Bonds	38,035	1,055

D. Notes Payable

Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of \$268.3 million in notes payable to the Idaho Housing and Finance Association (IHFA). The notes are related to GARVEE bonds and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require less than 19 percent of the revenues. The total principal and interest payments remaining on the notes is \$366.9 million, payable through 2028. For the current year principal and interest payments and total pledged revenues were \$42.4 million and \$223.7 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by IHFA due to the timing of principal and interest payments.

The Idaho State Building Authority issued a \$1.7 million note payable during 2009. The note is payable from and secured by a pledge of lease revenues, other funds, and reserves held.

The Department of Administration purchased operating and capital equipment through the issuance of notes payable.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable. Two of the notes are secured by student fees and other revenue. Lewis-Clark State College issued \$5.6 million in notes payable between 2003 and 2009. Annual principal and interest payments on the notes are expected to require less than 71.1 percent of the revenues. The total principal and interest remaining on the notes is \$5.5 million, payable through 2014. For the current year principal and interest payments and total pledged revenues were \$0.2 million and \$0.3 million, respectively.

The Department of Labor issued a \$27.0 million note payable to the federal government to cover the deficit in the Unemployment Trust Fund. The fund's unemployment insurance receipts for the year fell short of the amount needed to pay the current year unemployment benefits. The State anticipates requesting another loan to cover future deficits in the fund.

The Idaho Water Resource Board issued an \$8.4 million note payable to purchase water rights in a prior year. The water rights were owned by the Bell Rapids Mutual Irrigation Company and the purchase was authorized by the Legislature to address statewide water issues driven by drought, water supply, and basic demands of economic development.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Note debt service requirements to maturity are as follows (*dollars in thousands*):

Primary Government								
Governmental Activities								
Fiscal Year Ending June 30	Nonmajor							
	Transportation		Special Revenue		Internal Service		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$8,176	\$19,061	\$70	\$95	\$134	\$228	\$8,380	\$19,384
2011	20,713	22,666	78	87	127	176	20,918	22,929
2012	9,044	14,207	82	83	146	168	9,272	14,458
2013	7,120	13,897	87	78	166	160	7,373	14,135
2014	13,810	13,512	91	74	187	151	14,088	13,737
2015 - 2019	77,388	55,656	538	287	1,315	571	79,241	56,514
2020 - 2024	63,627	12,434	704	121	1,393	146	65,724	12,701
2025 - 2029	15,167	380					15,167	380
Total	\$215,045	\$151,813	\$1,650	\$825	\$3,468	\$1,600	\$220,163	\$154,238
Interest Rate	2.60% to 5.25%		5.52%		5.34%			
Business-Type Activities								
Fiscal Year Ending June 30	College and University		Unemployment Compensation		Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$5,424	\$843			\$1,675		\$7,099	\$843
2011	8,155	596	\$26,973				35,128	596
2012	1,602	370					1,602	370
2013	1,492	296					1,492	296
2014	1,568	221					1,568	221
2015 - 2019	3,309	234					3,309	234
Total	\$21,550	\$2,560	\$26,973	\$0	\$1,675	\$0	\$50,198	\$2,560
Interest Rate	*2.64% to 8.50%		0.00%		0.00%			
* Notes payable for BSU include interest rates of the 30 day LIBOR plus 2.35% and 49% of lender's prime rate.								

* Notes payable for BSU include interest rates of the 30 day LIBOR plus 2.35% and 49% of lender's prime rate.

E. Claims and Judgments

Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments:

The Department of Health and Welfare estimates Medicaid claims incurred in fiscal year 2009 but not reported at year end in the amount of \$82.8 million.

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$1.1 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection

Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2008 amended remediation cost estimate was \$134.6 million, which was measured using the expected cash flow technique. The State's share was \$13.5 million. The State has expended \$13.0 million toward the required match leaving a liability of \$0.5 million. The contract work was completed during fiscal year 2008. The State has taken ownership of 1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is \$355.0 million; Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$2.5 million toward the required match, leaving a liability of \$28.5 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The

present value of operational and maintenance costs are estimated at \$41.0 million.

Component Units

The component units recorded the following claims and judgments:

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$7.4 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of \$5.0 million for unpaid claims.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities are summarized as follows (*dollars in thousands*):

Long-Term Liabilities	Balances at July 1, 2008 As Restated	Increases	Decreases	Balances at June 30, 2009	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	\$303,070		(\$23,705)	\$279,365	\$23,272
Premiums/Discounts/Other	3,089		(1,131)	1,958	
Notes Payable	3,543	\$1,650	(75)	5,118	204
Notes Payable to Component Unit	94,643	150,991	(30,589)	215,045	8,176
Total Bonds and Notes Payable	404,345	152,641	(55,500)	501,486	31,652
Capital Leases	11,997	1,018	(1,540)	11,475	1,185
Compensated Absences	56,599	54,041	(55,756)	54,884	53,549
Policy Claim Liabilities	20,164	(1,935)	1,524	19,753	9,675
Claims and Judgments	139,887	2,504	(29,456)	112,935	83,983
Net Pension Obligation	2,375	336		2,711	
Net OPEB Obligation	20,018		(223)	19,795	
Arbitrage Rebate Liability	1,890		(1,710)	180	
Total Governmental Activity	\$657,275	\$208,605	(\$142,661)	\$723,219	\$180,044
Business-Type Activities:					
Revenue Bonds	\$442,530	\$42,595	(\$36,080)	\$449,045	\$14,405
Premiums/Discounts	486	102	(223)	365	(143)
Notes Payable	20,163	33,340	(3,305)	50,198	7,099
Premiums/Discounts	(8)	5		(3)	
Total Bonds and Notes Payable	463,171	76,042	(39,608)	499,605	21,361
Capital Leases	1,139		(512)	627	430
Capital Leases to Component Unit	2,917		(265)	2,652	275
Compensated Absences	20,067	20,656	(19,909)	20,814	20,814
Net OPEB Obligation	7,858	1,359	(7)	9,210	
Arbitrage Rebate Liability	445	83		528	
Total Business-Type Activity	\$495,597	\$98,140	(\$60,301)	\$533,436	\$42,880

Business-Type Activities Premiums/Discounts were restated due to BSU change in accounting principal.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

Long-Term Liabilities	Balances at July 1, 2008 As Restated	Increases	Decreases	Balances at June 30, 2009	Amounts Due Within One Year
Component Units					
Revenue Bonds	\$2,141,240	\$407,818	(\$163,305)	\$2,385,753	\$74,220
Premiums/Discounts	13,308	9,437	(636)	22,109	
Total Bonds Payable	2,154,548	417,255	(163,941)	2,407,862	74,220
Policy Claim Liabilities	10,975	14,104	(12,694)	12,385	6,844
Total Component Unit Activity	\$2,165,523	\$431,359	(\$176,635)	\$2,420,247	\$81,064

Internal service funds predominantly serve the governmental funds. Accordingly, \$0.7 million of compensated absences, \$19.8 million of policy claim liabilities, and \$1.0 million of capital leases were included in the governmental activities for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 29.6 percent has been paid by the General Fund, 67.3 percent by special revenue funds, and the remainder by internal service funds. Primarily the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Health and Welfare and Transportation special revenue funds, nonmajor special revenue funds, and the Loan Fund.

G. Conduit Debt

Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property financed and are payable

solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Six series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$78.6 million.

Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. Twenty-two series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$94.9 million.

NOTE 13. EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2009, additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The General Fund beginning fund balance decreased by \$11.2 million because of an overstatement of revenues and an understatement of expenditures due to the estimate for unclaimed property liabilities. Nonmajor governmental funds beginning fund balances increased by \$27.0 million because of an understatement of

revenue. The Loan Fund beginning fund balance decreased by \$1.0 million due to an overstatement of revenue related to the transfer of water rights.

Component Unit beginning net assets increased by \$5.8 million due to the inclusion of new component units. Beginning net assets decreased by \$36.4 million due to Boise State University Foundation's decision to follow financial reporting standards established by the Financial Accounting Standards Board.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

The government-wide Statement of Activities beginning net assets balance includes the above adjustments. In addition to the above adjustments, the beginning net assets of governmental activities on the government-wide Statement of Activities were adjusted by the following amounts:

- A net decrease of \$32.7 million due to an understatement of expenditures for incurred but not reported Medicaid claims and an understatement of revenues for the related receivable from the federal government
- An increase of \$18.6 million due to an overstatement of expenditures related to a note payable to a component unit

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

The government-wide Statement of Net Assets reported restricted net assets of \$1.6 billion for governmental activities, \$640.7 million for business-type activities, and \$364.1 million for component units. These amounts include \$312.4 million of net assets restricted by enabling legislation for governmental activities and \$330.4 million of net assets restricted by enabling legislation for business-type activities.

C. Designated Governmental Fund Balances

Designated fund balances are included in the Unreserved Fund Balances reported on the Governmental Fund Balance Sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances include the following:

- General Fund: \$22.2 million for repair, remodel, and restoration of the State Capitol Building
- Transportation fund: \$69.8 million for trustee and benefit payments, highway projects, and matching federal dollars on state transportation projects
- Nonmajor governmental funds: \$19.7 million for air and water quality programs and environmental remediation projects, and \$5.2 million for parks and recreation capital projects

NOTE 14. DONOR-RESTRICTED ENDOWMENTS

Primary Government

The Land Endowments fund has a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with Idaho Code, Title 57, Chapter 7 and Title 67, Chapter 16. No net appreciation on investments of the donor-restricted endowments was available for the Land Board or the EFIB to authorize expenditures for the Land Endowments fund. The Land Board has set the current distribution policy for the endowments at 5 percent of the three-year rolling average permanent fund balances. EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

In fiscal year 2008 the Department of Parks and Recreation received a \$1.0 million donor-restricted

endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. Only earnings from investments may be expended by the Idaho Parks and Recreation Board, although no less than 3 percent of the total value of the endowment shall be designated as earnings even if such designation temporarily reduces the principal. In the first two years after the donation no less than \$30,000 is to be distributed to the Board. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended, no net appreciation was available for expenditure.

Component Units

Endowments for the Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Lewis-Clark State College Foundation, and University of Idaho Foundation are managed in accordance with

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

Idaho Code, Title 33, Chapter 50 and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of \$2.8 million. The amount permanently restricted by donors was \$58.8 million which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was \$0.6 million which is included in net assets restricted for permanent trust-expendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure toward the established purpose.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. During the fiscal year the Foundation did not receive any new contributions. The amount permanently restricted by donors was \$0.7 million which is included in net assets restricted for permanent trust-nonexpendable. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. During the fiscal year the Foundation received new contributions of \$3.9 million. The amount permanently restricted by donors was \$26.3 million which is included in net assets restricted for permanent trust-nonexpendable. The amount temporarily restricted by donors was \$7.0 million which is included in net assets restricted for permanent trust-expendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. Donor imposed restrictions requiring earnings to be contributed back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies. The Foundation has a policy of appropriating for annual distribution 4.5 percent of its endowment fund's average fair value over the prior 12 quarters

through the calendar year-end preceding the fiscal year in which the distributions are planned.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. During the fiscal year the Foundation received \$0.5 million in new contributions. The amount permanently restricted by donors was \$0.2 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The Foundation received \$6.4 million in new contributions during the fiscal year. The amount permanently restricted by donors was \$82.2 million which is included in net assets restricted for permanent trust-nonexpendable. The endowments did not have any net appreciation during the fiscal year for expenditure. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. All other appreciation is also included in restricted net assets as expendable or nonexpendable permanent trust depending on the terms of the endowment agreements. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For the fiscal year 2009, the spending rate was set at 4 percent of the three-year rolling average of the endowments' monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

NOTE 15. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

Primary Government

In November 1998 a Master Settlement Agreement was reached between the 5 largest tobacco manufacturers and 46 states. Since then more than 40 tobacco companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of \$31.0 million during fiscal year 2009. A number of tobacco manufacturers allege that Idaho has not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Idaho Code, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will redirect distributions normally made to the school district to reimburse the State. As of June 30, 2009, the principal amount of qualified bonds outstanding to school districts was \$617.6 million, and the interest amount outstanding was \$221.6 million.

Idaho Code, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2009, the Idaho Bond Bank Authority had a principal amount of qualified bonds outstanding to municipalities of \$176.7 million and the interest amount outstanding was \$109.0 million.

The State receives significant financial assistance from the federal government in the form of grants. The receipt

of federal grants is generally conditioned upon compliance with terms and conditions of the grant agreements and is subject to financial and compliance audits. Questioned costs as a result of these audits may be disallowed after review by federal agencies. The Department of Health and Welfare had \$13.9 million of questioned costs at June 30, 2008. These costs will be contested with the federal agency involved. Management estimates the liability to be less than the questioned amounts. Audits for the fiscal year ended June 30, 2009 are in process.

The Idaho Transportation Department (ITD) faces a potential liability of \$3.1 million for unpaid contractual claims. A probable cost of \$1.1 million has been recognized as a liability with a remaining contingent liability of \$2.0 million.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

B. Commitments

Primary Government

The Public Employee Retirement System of Idaho has a total of \$505.3 million in outstanding commitments for investments to private equity partnerships.

The ITD has a total of \$253.6 million in outstanding commitments for infrastructure and \$2.2 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association \$539.6 million in principal and \$278.3 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date ITD has borrowed \$268.3 million against the total; of that amount, \$53.3 million has been repaid, resulting in a \$215.0 million liability being recorded. Details can be found in Note 12.

The Department of Administration has a total of \$147.5 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The colleges and universities estimate costs of \$99.1 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2009**

a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of \$68.5 million. Most of these loan commitments will be funded from accumulated repayments and investment revenue which are perpetually appropriated for this purpose. The Drinking Water Loan fund had \$37.2 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$6.8 million.

The Department of Correction has a contract with Corrections Corporation of America to operate a 1,514-plus bed prison. The estimated cost for fiscal year 2010 is \$26.3 million. The Department has a second contract with Corrections Corporation of America which will expire in August 2009. The estimated cost for fiscal year 2010 is \$0.3 million. The Department has a contract until June 30, 2010 with Correctional Medical Services, Inc. to provide medical services for inmates. The estimated cost for fiscal year 2010 is approximately \$22.0 million. The Department also has a contract with the Ada County Sheriff's Office to house an average of 50 inmates in a work release program. The fiscal year 2010 estimated cost is \$0.8 million.

The Department of Parks and Recreation has a total of \$10.9 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$360 per day. The estimated cost for fiscal year 2010 is \$9.5 million.

The Department of Fish and Game has a contract with Outdoor Central to facilitate selling hunting and fishing licenses. The contract will expire in March 2012 and the total estimated cost is \$5.5 million.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2009 advertising pool commitment is \$4.2 million.

The State Lottery contracted with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a \$4,306 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

Component Units

Idaho Housing and Finance Association has commitments to purchase \$70.1 million of single-family mortgages.

NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the following events occurred:

Primary Government

On July 1, 2009, the Office of the State Treasurer issued tax anticipation notes in the amount of \$500.0 million. The notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2010 fiscal year. The notes mature on June 30, 2010.

Component Units

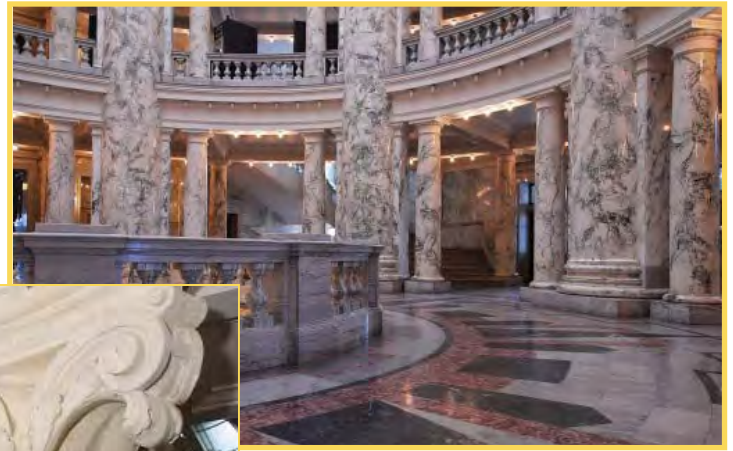
On July 8, 2009, the Idaho Housing and Finance Association issued single-family mortgage bonds Series 2009 A and B in the amount of \$207.1 million. The Series 2009 A and B bonds are being issued to provide money for the issuer to purchase and refund certain outstanding bonds of the Association originally issued to finance the making or purchase of mortgage loans to low income persons for single family, owner-occupied housing within the State and to pay certain costs of issuance of the Series 2009 A and B bonds.

Required Supplementary Information

The interior of the Capitol is decorated with four different types of marble, covering 50,646 square feet. The marble was brought in from across the United States and Italy; red marble from Georgia, green marble from Vermont, gray marble from Alaska, and black marble from Italy.



On the first floor, a tricolored display of gray, black, and red marble form a unique design atop a light gray background. The sundial is symbolic of Idaho's abundance of natural resources.



Before and after comparison of the restoration work done on the top of the columns.



New bronze railing was installed in the transitional stairways from the original Capitol to the new wings.



In the new wings, lighter-colored marble floor tiles and wainscot surfaces are from the same Vermont quarry that was used when the Capitol was first built. The marble is an exact match in character to the century old marble on the first through fourth floors. The darker outlining marble on the floor is from Italy.

*Top three photos taken by Noah Bershatsky
All other photos courtesy of the Idaho Capitol Commission*

State of Idaho**Required Supplementary Information****Budgetary Comparison Schedule****General Fund and Major Special Revenue Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$1,196,465	\$1,196,465	\$1,196,465	
Individual and Corporate Taxes	1,652,274	1,652,274	1,652,274	
Other Taxes	60,046	60,046	60,046	
Licenses, Permits, and Fees	19,774	19,774	19,774	
Sale of Goods and Services	62,338	62,338	62,338	
Grants and Contributions	5,091	5,091	5,091	
Investment Income	35,565	35,565	35,565	
Tobacco Settlement	30,965	30,965	30,965	
Other Income	7,568	7,568	7,568	
Total Revenues	\$3,070,086	\$3,070,086	3,070,086	
EXPENDITURES				
General Government	\$1,007,339	\$1,001,156	877,693	\$123,463
Public Safety and Correction	286,537	269,582	263,178	6,404
Health and Human Services	32,171	32,236	31,817	419
Education	1,988,710	1,960,621	1,924,353	36,268
Economic Development	44,057	40,287	30,203	10,084
Natural Resources	54,436	50,236	54,462	(4,226)
Total Expenditures	\$3,413,250	\$3,354,118	3,181,706	\$172,412
Revenues Over (Under) Expenditures			(111,620)	
OTHER FINANCING SOURCES (USES)				
Capital Lease Acquisitions			22	
Sale of Capital Assets			236	
Transfers In			153,335	
Transfers Out			(825,241)	
Total Other Financing Sources (Uses)			(671,648)	
Revenues and Other Financing Sources Over (Under)			(783,268)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(391,781)	
Changes Affected by Accrued Expenditures			743,724	
Fund Balances - Beginning of Year, as Restated			1,179,341	
Fund Balances - End of Year			\$748,016	

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$5,142	\$5,142	\$5,142		\$207,768	\$207,768	\$207,768	
5,320	5,320	5,320		118,510	118,510	118,510	
83,887	83,887	83,887		4,250	4,250	4,250	
1,288,181	1,288,181	1,288,181		237,627	237,627	237,627	
401	401	401		3,826	3,826	3,826	
16,024	16,024	16,024		4,570	4,570	4,570	
\$1,398,955	\$1,398,955	1,398,955		\$576,551	\$576,551	576,551	
\$50	\$200	50	\$150				
1,901,583	1,946,261	1,895,433	50,828				
				\$778,242	\$970,002	612,811	\$357,191
\$1,901,633	\$1,946,461	1,895,483	\$50,978	\$778,242	\$970,002	612,811	\$357,191
		(496,528)				(36,260)	
		98				10,634	
		496,746					
		(231)				(15,602)	
		496,613				(4,968)	
		85				(41,228)	
		195,966				23,107	
		(216,135)				6,587	
		41,281				168,099	
		\$21,197				\$156,565	

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2009**

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Process and Control

Budgets are adopted in accordance with Idaho Code, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent fund, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of Idaho Code, Title 67, Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has line item veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per Idaho Constitution, Article IV, Sections 10 and 11.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV, Section 9, of the Idaho Constitution.

Limitations exist regarding the extent to which management may modify an appropriation. Legislative approval is required for the transfer of appropriations from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per Idaho Code, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The General Fund had a negative variance stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks,

Required Supplementary Information For the Fiscal Year Ended June 30, 2009

Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the budget and actual schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual schedule

reflects budgeted revenues as being equal to actual revenues. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be viewed online at www.sco.idaho.gov. Look under “Accounting” and then “Financial Reports and Public Information.”

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the State must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,944 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State’s roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public’s perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the

longitudinal profile of the road surface to an index based upon the public’s perception of road roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A Class II-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each pavement management section. Based upon this input, a cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	≥ 2.5 (CI or RI) ≤ 3.0	≥ 2.0 (CI or RI) ≤ 3.0
Poor	≥ 2.0 (CI or RI) < 2.5	≥ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Required Supplementary Information

For the Fiscal Year Ended June 30, 2009

Established Condition Level

The ITD has established the condition level that no more than 18 percent of pavement shall be in poor or very poor condition. In fiscal year 2008 the assessed level was maintained at 20 percent. Infrastructure preservation and restoration is a priority for the State. As a result of this focus, the Idaho Transportation Department has provided all available funds to meet these goals. Despite this best

effort, funding has not kept up with increasing costs and needs. The Idaho Transportation Department is working with the Governor's Office and the Idaho Legislature to identify the options and appropriate funding for transportation needs in Idaho. In addition, the condition level of state roadways will be reviewed and set at the appropriate level.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

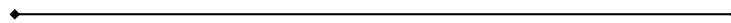
	2008		2007		2006		2005		2004	
Good	7,401	62%	7,370	62%	7,318	61%	7,364	62%	7,154	60%
Fair	2,203	18%	2,293	19%	2,223	19%	2,244	19%	2,453	21%
Poor	1,779	15%	1,810	15%	1,879	16%	1,772	15%	1,735	15%
Very Poor	561	5%	457	4%	457	4%	494	4%	510	4%
Total Lane Miles	11,944	100%	11,930	100%	11,877	100%	11,874	100%	11,852	100%

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004
Estimated	\$144,000	\$85,000	\$90,800	\$88,200	\$69,200	\$67,156	\$65,200
Actual		103,720	108,624	79,301	69,502	79,310	81,058

Actual costs exceeded estimated costs in fiscal year 2009 by 22 percent.



PENSION – Schedule of Funding Progress

Judges' Retirement Fund (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/07	\$65,342	\$69,797	\$4,455	93.6%	\$5,669	79
6/30/08	\$60,136	\$72,519	\$12,383	82.9%	\$5,723	216
6/30/09	\$48,439	\$75,345	\$26,906	64.3%	\$5,960	451

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2009**
OTHER POSTEMPLOYMENT BENEFITS
Schedule of Funding Progress (*dollars in thousands*):

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2006	\$0	\$353,159	\$353,159	0.0%	\$764,953	46.2
	7/1/2008	\$0	\$21,603	\$21,603	0.0%	\$803,608	2.7
Long-Term Disability Income	7/1/2006	\$0	\$6,378	\$6,378	0.0%	\$764,953	0.8
	7/1/2008	\$0	\$5,813	\$5,813	0.0%	\$803,608	0.7
Healthcare	7/1/2006	\$0	\$10,006	\$10,006	0.0%	\$764,953	1.3
	7/1/2008	\$0	\$9,975	\$9,975	0.0%	\$803,608	1.2
Life Insurance	7/1/2006	\$0	\$10,616	\$10,616	0.0%	\$764,953	1.4
	7/1/2008	\$0	\$8,344	\$8,344	0.0%	\$803,608	1.0
Life Insurance	7/1/2006	\$0	\$30,577	\$30,577	0.0%	\$237,374	12.9
	7/1/2008	\$0	\$33,482	\$33,482	0.0%	\$248,565	13.5
University of Idaho	7/1/2007	\$4,325	\$83,011	\$78,686	5.2%	\$120,560	65.3
	7/1/2008	\$8,333	\$77,141	\$68,808	10.8%	\$129,435	53.2

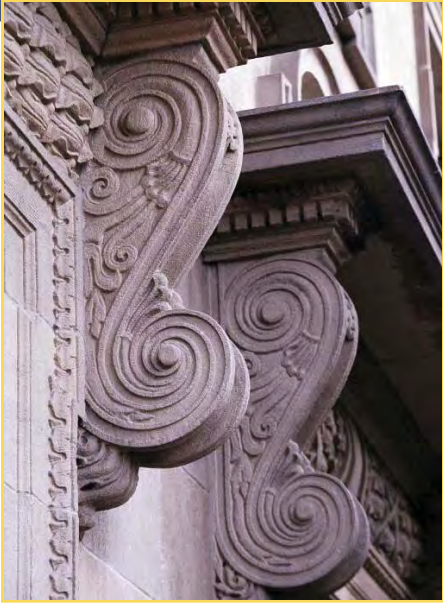
Effective July 1, 2009, legislative changes to the Retiree Healthcare Plan regarding eligibility stipulate that an officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service; the maximum benefit is \$1,860 per retiree per year. Additionally, any retiree who is currently eligible

will remain so until they are eligible for Medicare. Beginning January 1, 2010, coverage will not be available to Medicare-eligible retirees or their Medicare-eligible dependents. These changes have significantly reduced the liability.

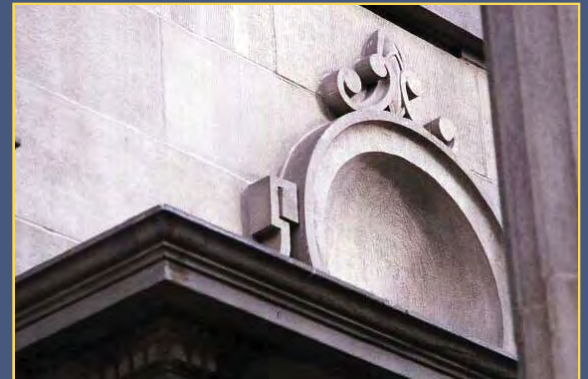
Schedule of Employer Contributions (*dollars in thousands*):

OPEB Plan	Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Actual Contributions as Percentage of ARC
Life Insurance	06/30/08	\$2,542	\$487	19.16
	06/30/09	\$2,673	\$961	35.95
University of Idaho	06/30/08	\$7,157	\$7,234	101.08
	06/30/09	\$6,362	\$6,430	101.07

Combining Financial Statements



Both inside and out, great attention to detail was paid in constructing and restoring the State's Capitol.



Decorative rosettes and ornate cornices are being fabricated in the basement of the Capitol. Every light fixture in the Capitol rotunda will be ensconced by a decorative custom-cast rosette. The process used is similar to those used 200 years ago to create decorative moldings in plaster casts.



Many things were uncovered during the restoration of the Capitol, including several 'autographs' from visitors. These 'autographs' were left on bricks located on the fifth floor which is off limits to the public. Some of these dated back as early as 1919.



GOVERNMENTAL FUNDS include nonmajor special revenue funds, a capital projects fund, and a major permanent fund. The following provides a brief description of the governmental funds.

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues dedicated to finance specific functions of government.

The Agriculture and Natural Resources Fund accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided by dedicated user fees, the sale of goods and services, federal grants, and various other sources.

The Regulatory Fund accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The Fish and Game Fund accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The Federal Fund accounts for a portion of the financial position and operations associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The Miscellaneous Fund accounts for the financial position and operations associated with general government services where the major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

The Building Authority accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major source of funding is provided by the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

CAPITAL PROJECTS FUND accounts for specific revenues designated to finance construction of capital assets.

The Transportation Infrastructure Fund accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major source of funding is provided by federal highway funds and notes issued.

MAJOR PERMANENT FUND accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

The Land Endowments Fund accounts for the financial position and operations associated with the investment of revenues generated from the management and sale of endowment land assets for the benefit of public schools, colleges, hospitals, and prisons.

State of Idaho
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash and Cash Equivalents	\$7,473	\$1,393		
Pooled Cash and Investments	55,084	60,124	\$8,823	\$18,512
Investments	10,502	423	4,730	4,677
Securities Lending Collateral	3,901		6,279	2,505
Accounts Receivable, Net	2,941	16	146	206
Taxes Receivable, Net	1,408			
Interfund Receivables	1,370		267	49
Due from Other Entities	7,736		6,871	30,700
Inventories and Prepaid Items	2,121	163	6,656	1,258
Loans, Notes, and Pledges Receivable, Net	10,001		10	
Other Assets	487	5	73	30
Restricted Assets:				
Cash and Cash Equivalents	9,178	382	2,760	10,110
Investments	2,164		7,917	370
Total Assets	\$114,366	\$62,506	\$44,532	\$68,417
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$8,083	\$21	\$1,027	\$18,638
Payroll and Related Liabilities	1,971	1,139	1,830	3,401
Interfund Payables	700			2,917
Due to Other Entities	7			
Deferred Revenue	4,407	585	2,605	11,433
Amounts Held in Trust for Others	3,240	13	5	
Obligations Under Securities Lending	3,901		6,279	2,505
Other Accrued Liabilities	666	485	709	527
Total Liabilities	22,975	2,243	12,455	39,421
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	5,056	58	981	6,977
Inventories and Prepaid Items	2,121	163	6,656	1,258
Noncurrent Receivables	11,371			
Other Purposes	10,961	686	10,671	685
Unreserved, Reported in:				
Special Revenue Funds	61,882	59,356	13,769	20,076
Capital Projects Fund				
Total Fund Balances	91,391	60,263	32,077	28,996
Total Liabilities and Fund Balances	\$114,366	\$62,506	\$44,532	\$68,417

Capital Projects			
Miscellaneous	Building Authority	Transportation Infrastructure	Total
\$1	\$2,744		\$11,611
95,480		\$146	238,169
15,838			36,170
7,864			20,549
7,778		21,124	32,211
1,200			2,608
311			1,997
417			45,724
2,004			12,202
2,000			12,011
531	6		1,132
532	55,942		78,904
876			11,327
\$134,832	\$58,692	\$21,270	\$504,615
\$1,167	\$4,265	\$19,573	\$52,774
2,255			10,596
29			3,646
			7
5,847			24,877
8			3,266
7,864			20,549
369	6,668	1,552	10,976
17,539	10,933	21,125	126,691
	8,558		8,558
983			14,055
2,004			12,202
2,000			13,371
1,409	47,385		71,797
110,897	(8,184)		257,796
		145	145
117,293	47,759	145	377,924
\$134,832	\$58,692	\$21,270	\$504,615

*State of Idaho***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	\$4,800			
Other Taxes	34,307	\$65,953		
Licenses, Permits, and Fees	33,805	46,424	\$35,671	
Sale of Goods and Services	3,934	1,641	454	\$307
Grants and Contributions	36,013	36	36,172	400,866
Investment Income	1,994	251	1,121	535
Other Income	7,114	647	654	307
Total Revenues	121,967	114,952	74,072	402,015
EXPENDITURES				
Current:				
General Government		2,709		36,628
Public Safety and Correction		2,766		7,560
Education				224,771
Economic Development	40,628	45,110	100	68,367
Natural Resources	70,530	858	66,583	5,284
Capital Outlay	10,106	602	5,544	11,480
Intergovernmental Revenue Sharing	11,254		15	49,569
Debt Service:				
Principal Retirement	60		387	
Interest and Other Charges	26		454	10
Total Expenditures	132,604	52,045	73,083	403,669
Revenues Over (Under) Expenditures	(10,637)	62,907	989	(1,654)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Sale of Capital Assets	283	83	422	27
Transfers In	17,268		8	13,667
Transfers Out	(3,694)	(63,492)	(248)	(227)
Total Other Financing Sources (Uses)	13,857	(63,409)	182	13,467
Net Changes in Fund Balances	3,220	(502)	1,171	11,813
Fund Balances - Beginning of Year, as Restated	88,171	60,765	30,906	17,183
Fund Balances - End of Year	\$91,391	\$60,263	\$32,077	\$28,996

Capital Projects			
Miscellaneous	Building Authority	Transportation Infrastructure	Total
			\$4,800
\$27,941			128,201
18,783			134,683
30,140	\$36,226		72,702
9,877	8,258		491,222
6,647	(937)	\$20,398	30,009
18,575		3	27,300
111,963	43,547	20,401	888,917
5,762	853		45,952
45,340			55,666
9,493			234,264
39,903		9,037	203,145
1,378			144,633
2,275	58,857	162,261	251,125
9,967			70,805
585	23,705		24,737
267	12,550		13,307
114,970	95,965	171,298	1,043,634
(3,007)	(52,418)	(150,897)	(154,717)
	1,650	150,991	152,641
163			978
17,466			48,409
(2,974)			(70,635)
14,655	1,650	150,991	131,393
11,648	(50,768)	94	(23,324)
105,645	98,527	51	401,248
\$117,293	\$47,759	\$145	\$377,924

*State of Idaho***Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,800	\$4,800	\$4,800	
Other Taxes	34,300	34,300	34,300	
Licenses, Permits, and Fees	33,987	33,987	33,987	
Sale of Goods and Services	3,525	3,525	3,525	
Grants and Contributions	34,989	34,989	34,989	
Investment Income	1,706	1,706	1,706	
Other Income	4,889	4,889	4,889	
Total Revenues	\$118,196	\$118,196	118,196	
EXPENDITURES				
General Government				
Public Safety and Correction				
Education				
Economic Development	\$45,346	\$46,963	40,849	\$6,114
Natural Resources	111,587	111,908	89,916	21,992
Total Expenditures	\$156,933	\$158,871	130,765	\$28,106
Revenues Over (Under) Expenditures			(12,569)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Sale of Capital Assets			283	
Transfers In			17,268	
Transfers Out			(3,694)	
Total Other Financing Sources (Uses)			13,857	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			1,288	
Reconciling Items				
Changes Affected by Accrued Revenues			3,771	
Changes Affected by Accrued Expenditures			(1,839)	
Fund Balances - Beginning of Year, as Restated			88,171	
Fund Balances - End of Year			\$91,391	

continued

Special Revenue							
Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$73,530	\$73,530	\$73,530					
46,368	46,368	46,368		\$35,671	\$35,671	\$35,671	
1,402	1,402	1,402		454	454	454	
35	35	35		37,957	37,957	37,957	
251	251	251		792	792	792	
647	647	647		612	612	612	
\$122,233	\$122,233	122,233		\$75,486	\$75,486	75,486	
\$2,728	\$2,728	2,728					
3,459	3,444	2,810	\$634				
56,022	55,876	48,784	7,092	\$216	\$216	100	\$116
2,249	2,244	833	1,411	79,177	82,096	75,430	6,666
\$64,458	\$64,292	55,155	\$9,137	\$79,393	\$82,312	75,530	\$6,782
		67,078				(44)	
		83				422	
		(63,492)				8	
		(63,409)				(248)	
		3,669				182	
						138	
		(7,281)				(1,414)	
		3,110				2,447	
		60,765				30,906	
		\$60,263				\$32,077	

*State of Idaho***Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$92	\$92	\$92	
Grants and Contributions	405,885	405,885	405,885	
Investment Income	399	399	399	
Other Income	305	305	305	
Total Revenues	\$406,681	\$406,681	406,681	
EXPENDITURES				
General Government	\$79,068	\$88,438	62,824	\$25,614
Public Safety and Correction	18,277	20,251	13,922	6,329
Education	270,579	272,184	237,251	34,933
Economic Development	106,666	124,350	82,394	41,956
Natural Resources	18,481	23,641	12,630	11,011
Total Expenditures	\$493,071	\$528,864	409,021	\$119,843
Revenues Over (Under) Expenditures			(2,340)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Sale of Capital Assets			27	
Transfers In			13,667	
Transfers Out			(227)	
Total Other Financing Sources (Uses)			13,467	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			11,127	
Reconciling Items				
Changes Affected by Accrued Revenues			(4,666)	
Changes Affected by Accrued Expenditures			5,352	
Fund Balances - Beginning of Year, as Restated			17,183	
Fund Balances - End of Year			\$28,996	

continued

Special Revenue							
Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$23,454	\$23,454	\$23,454					
18,723	18,723	18,723					
23,911	23,911	23,911		\$36,226	\$36,226	\$36,226	
9,489	9,489	9,489		8,258	8,258	8,258	
5,624	5,624	5,624		(937)	(937)	(937)	
18,337	18,337	18,337					
\$99,538	\$99,538	99,538		\$43,547	\$43,547	43,547	
\$6,297	\$6,394	5,865	\$529	\$95,965	\$95,965	95,965	
63,325	63,823	53,967	9,856				
9,425	14,545	10,374	4,171				
50,639	50,921	46,264	4,657				
3,480	3,549	1,432	2,117				
\$133,166	\$139,232	117,902	\$21,330	\$95,965	\$95,965	95,965	
		(18,364)				(52,418)	
		163				1,650	
		17,466					
		(2,974)					
		14,655				1,650	
		(3,709)				(50,768)	
		12,425					
		2,932					
		105,645				98,527	
		\$117,293				\$47,759	

*State of Idaho***Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Nonmajor Governmental Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Capital Projects			
	Transportation Infrastructure			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services				
Grants and Contributions				
Investment Income	\$20,398	\$20,398	\$20,398	
Other Income	3	3	3	
Total Revenues	\$20,401	\$20,401	20,401	
EXPENDITURES				
General Government				
Public Safety and Correction				
Education				
Economic Development	\$171,300	\$171,300	171,298	\$2
Natural Resources				
Total Expenditures	\$171,300	\$171,300	171,298	\$2
Revenues Over (Under) Expenditures			(150,897)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			150,991	
Sale of Capital Assets				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)			150,991	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			94	
Reconciling Items				
Changes Affected by Accrued Revenues				
Changes Affected by Accrued Expenditures				
Fund Balances - Beginning of Year, as Restated			51	
Fund Balances - End of Year			\$145	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$4,800	\$4,800	\$4,800	
131,284	131,284	131,284	
134,749	134,749	134,749	
65,610	65,610	65,610	
496,613	496,613	496,613	
28,233	28,233	28,233	
24,793	24,793	24,793	
<u>\$886,082</u>	<u>\$886,082</u>	<u>886,082</u>	
\$184,058	\$193,525	167,382	\$26,143
85,061	87,518	70,699	16,819
280,004	286,729	247,625	39,104
430,189	449,626	389,689	59,937
214,974	223,438	180,241	43,197
<u>\$1,194,286</u>	<u>\$1,240,836</u>	<u>1,055,636</u>	<u>\$185,200</u>
		(169,554)	
		152,641	
		978	
		48,409	
		(70,635)	
		<u>131,393</u>	
		(38,161)	
		2,835	
		12,002	
		<u>401,248</u>	
		<u>\$377,924</u>	

*State of Idaho***Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances****Budget and Actual****Major Permanent Fund****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Land Endowments			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Licenses, Permits, and Fees	\$1	\$1	\$1	
Sale of Goods and Services	60,414	60,414	60,414	
Investment Income	(198,767)	(198,767)	(198,767)	
Total Revenues	(\$138,352)	(\$138,352)	(138,352)	
EXPENDITURES				
Natural Resources	\$28,578	\$28,518	24,963	\$3,555
Total Expenditures	\$28,578	\$28,518	24,963	\$3,555
Revenues Over (Under) Expenditures			(163,315)	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			1	
Transfers In			2,164	
Transfers Out			(42,413)	
Total Other Financing Sources (Uses)			(40,248)	
Revenues and Other Financing Sources Over (Under)			(203,563)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			2	
Changes Affected by Accrued Expenditures			(1,905)	
Fund Balances - Beginning of Year			1,129,050	
Fund Balances - End of Year			\$923,584	

NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

The State Lottery was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by Idaho Code, Section 67-7434.

The Liquor Dispensary provides control over the distribution, sale, and consumption of alcoholic beverages. Per Idaho Code, Section 23-404, after deducting administrative and operating costs for the Liquor Dispensary, distributions are made to cities, counties, the General Fund, and various other funds of the State.

The Correctional Industries provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

*State of Idaho***Combining Statement of Net Assets****Nonmajor Enterprise Funds****June 30, 2009***(dollars in thousands)*

	State Lottery	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$2,551			\$2,551
Pooled Cash and Investments		\$15,486	\$3,735	19,221
Accounts Receivable, Net	1,586	58	700	2,344
Interfund Receivables			248	248
Inventories and Prepaid Items	440	12,085	1,616	14,141
Total Current Assets	4,577	27,629	6,299	38,505
Noncurrent Assets				
Restricted Cash and Cash Equivalents	34,375			34,375
Capital Assets, Net	521	5,213	2,280	8,014
Total Noncurrent Assets	34,896	5,213	2,280	42,389
Total Assets	\$39,473	\$32,842	\$8,579	\$80,894
LIABILITIES				
Current Liabilities				
Accounts Payable	\$1,461	\$4,747	\$118	\$6,326
Payroll and Related Liabilities	104	388	189	681
Interfund Payables		835		835
Due to Other Entities		4,669		4,669
Unearned Revenue			9	9
Other Accrued Liabilities	2,579		4	2,583
Capital Leases Payable	48			48
Compensated Absences Payable	127	523	87	737
Total Current Liabilities	4,319	11,162	407	15,888
Noncurrent Liabilities				
Capital Leases Payable	83			83
Other Long-Term Obligations	60	197	35	292
Total Noncurrent Liabilities	143	197	35	375
Total Liabilities	4,462	11,359	442	16,263
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	390	5,213	2,280	7,883
Restricted for:				
Other Purposes	34,621			34,621
Unrestricted		16,270	5,857	22,127
Total Net Assets	35,011	21,483	8,137	64,631
Total Liabilities and Net Assets	\$39,473	\$32,842	\$8,579	\$80,894

*State of Idaho***Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets****Nonmajor Enterprise Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	State Lottery	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Sale of Goods and Services	\$140,264	\$132,506	\$8,876	\$281,646
Other Income	39	24		63
Total Operating Revenues	140,303	132,530	8,876	281,709
OPERATING EXPENSES				
Personnel Costs	2,485	10,119	2,306	14,910
Services and Supplies	17,698	75,795	5,483	98,976
Benefits, Awards, and Premiums	84,997			84,997
Depreciation	209	285	333	827
Other Expenses	388	3,620	201	4,209
Total Operating Expenses	105,777	89,819	8,323	203,919
Operating Income (Loss)	34,526	42,711	553	77,790
NONOPERATING REVENUES (EXPENSES)				
Investment Income	13	469	93	575
Interest Expense	(3)			(3)
Intergovernmental Distributions		(27,366)		(27,366)
Other Nonoperating Revenues (Expenses)			2	2
Total Nonoperating Revenues (Expenses)	10	(26,897)	95	(26,792)
Income (Loss) Before Transfers	34,536	15,814	648	50,998
Transfers Out	(34,750)	(14,944)	(408)	(50,102)
Change in Net Assets	(214)	870	240	896
Total Net Assets - Beginning of Year	35,225	20,613	7,897	63,735
Total Net Assets - End of Year	\$35,011	\$21,483	\$8,137	\$64,631

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2009

(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$140,171	\$132,537	\$8,865	\$281,573
Payments to Suppliers	(17,688)	(79,229)	(5,889)	(102,806)
Payments to Employees	(2,474)	(10,098)	(2,208)	(14,780)
Payments for Interfund Services		(2,529)	(97)	(2,626)
Payments for Benefits, Awards, and Claims	(85,459)			(85,459)
Net Cash Provided (Used) by Operating Activities	34,550	40,681	671	75,902
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(26,891)		(26,891)
Transfers Out	(34,750)	(14,944)	(408)	(50,102)
Net Cash Provided (Used) by Noncapital Financing Activities	(34,750)	(41,835)	(408)	(76,993)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payment of Bonds and Notes	(51)			(51)
Acquisition and Construction of Capital Assets	(20)	(405)	(434)	(859)
Net Cash Provided (Used) by Capital and Related Financing Activities	(71)	(405)	(434)	(910)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	13	469	93	575
Net Cash Provided (Used) by Investing Activities	13	469	93	575
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(258)	(1,090)	(78)	(1,426)
Beginning Cash, Cash Equivalents, and Pooled Cash	37,184	16,576	3,813	57,573
Ending Cash, Cash Equivalents, and Pooled Cash	\$36,926	\$15,486	\$3,735	\$56,147
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$34,526	\$42,711	\$553	\$77,790
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	209	285	333	827
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(132)	7	(104)	(229)
Inventories and Prepaid Items		(784)	167	(617)
Other Current Assets	456			456
Accounts Payable/Interfund Payables	(714)	(1,559)	(288)	(2,561)
Unearned Revenue			(6)	(6)
Compensated Absences		17	1	18
Other Accrued Liabilities	205	4	15	224
Net Cash Provided (Used) by Operating Activities	\$34,550	\$40,681	\$671	\$75,902

INTERNAL SERVICE FUNDS account for the operation of state agencies which provide goods or services to other state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The Group Insurance Fund, created by Idaho Code, Section 67-5771, is administered by the Department of Administration. The fund accounts for health insurance for all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The Risk Management Fund, created by Idaho Code, Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

The General Services Fund, created by Idaho Code, Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The Data Processing Services Fund, created by Idaho Code, Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

*State of Idaho***Combining Statement of Net Assets****Internal Service Funds****June 30, 2009***(dollars in thousands)*

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	\$39,139	\$8,585	\$8,097	\$1,918	\$57,739
Securities Lending Collateral	12,453	7,207			19,660
Accounts Receivable, Net			50		50
Interfund Receivables	13		49	436	498
Inventories and Prepaid Items		76	1,591	1,191	2,858
Other Current Assets	145	85	1		231
Total Current Assets	51,750	15,953	9,788	3,545	81,036
Noncurrent Assets					
Restricted Cash and Cash Equivalents	40,305				40,305
Investments	25,081	14,515			39,596
Loans, Notes, and Pledges Receivable, Net	72				72
Capital Assets, Net	8	10	19,128	888	20,034
Total Noncurrent Assets	65,466	14,525	19,128	888	100,007
Total Assets	\$117,216	\$30,478	\$28,916	\$4,433	\$181,043
LIABILITIES					
Current Liabilities					
Accounts Payable			\$600		\$600
Payroll and Related Liabilities	\$11	\$21	299	\$168	499
Unearned Revenue	12,633		221	264	13,118
Obligations Under Securities Lending	12,453	7,207			19,660
Other Accrued Liabilities	3	2	172		177
Capital Leases Payable			151	144	295
Compensated Absences Payable	15	17	424	256	712
Bonds and Notes Payable			134		134
Policy Claim Liabilities	3,928	5,747			9,675
Total Current Liabilities	29,043	12,994	2,001	832	44,870
Noncurrent Liabilities					
Capital Leases Payable			478	178	656
Bonds and Notes Payable			3,334		3,334
Policy Claim Liabilities		10,078			10,078
Other Long-Term Obligations	5	8	114	54	181
Total Noncurrent Liabilities	5	10,086	3,926	232	14,249
Total Liabilities	29,048	23,080	5,927	1,064	59,119
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	8	10	15,031	566	15,615
Restricted for:					
Claims and Judgments	83,659				83,659
Unrestricted	4,501	7,388	7,958	2,803	22,650
Total Net Assets	88,168	7,398	22,989	3,369	121,924
Total Liabilities and Net Assets	\$117,216	\$30,478	\$28,916	\$4,433	\$181,043

State of Idaho**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets****Internal Service Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Licenses, Permits, and Fees	\$4				\$4
Sale of Goods and Services	212,848	\$10,015	\$20,438	\$7,401	250,702
Grants and Contributions	741		6		747
Other Income			53		53
Total Operating Revenues	213,593	10,015	20,497	7,401	251,506
OPERATING EXPENSES					
Personnel Costs	242	451	7,129	3,989	11,811
Services and Supplies	405	3,267	11,363	3,022	18,057
Benefits, Awards, and Premiums	204,420	2,509			206,929
Depreciation	2	2	1,899	306	2,209
Other Expenses	113	250	1,427	34	1,824
Total Operating Expenses	205,182	6,479	21,818	7,351	240,830
Operating Income (Loss)	8,411	3,536	(1,321)	50	10,676
NONOPERATING REVENUES (EXPENSES)					
Investment Income	3,642	1,084	205	51	4,982
Interest Expense	(52)	(29)	(208)	(18)	(307)
Gain (Loss) on Sale of Capital Assets			(20)	34	14
Total Nonoperating Revenues (Expenses)	3,590	1,055	(23)	67	4,689
Income (Loss) Before Transfers	12,001	4,591	(1,344)	117	15,365
Transfers In			1,830		1,830
Transfers Out			(209)		(209)
Change in Net Assets	12,001	4,591	277	117	16,986
Total Net Assets - Beginning of Year	76,167	2,807	22,712	3,252	104,938
Total Net Assets - End of Year	\$88,168	\$7,398	\$22,989	\$3,369	\$121,924

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2009

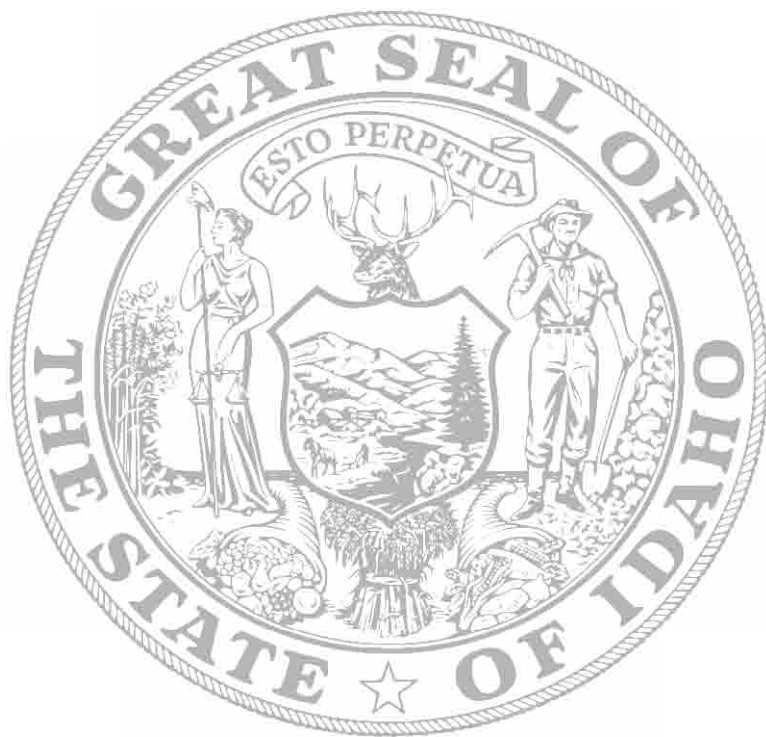
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for Interfund Services	\$212,842	\$10,058
Receipts from Grants and Contributions	741	
Payments to Suppliers	(375)	(2,899)
Payments to Employees	(258)	(428)
Payments for Interfund Services	(143)	(259)
Payments for Benefits, Awards, and Claims	(203,548)	(3,792)
Net Cash Provided (Used) by Operating Activities	9,259	2,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Bonds and Notes		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets	(3)	(5)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3)	(5)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	3,218	838
Purchase of Investments	(1,105)	(576)
Redemption of Investments	979	
Other Investing Activities	(70)	(39)
Net Cash Provided (Used) by Investing Activities	3,022	223
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	12,278	2,898
Beginning Cash, Cash Equivalents and Pooled Cash	67,166	5,687
Ending Cash, Cash Equivalents, and Pooled Cash	\$79,444	\$8,585
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$8,411	\$3,536
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2	2
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(13)	44
Inventories and Prepaid Items		359
Other Current Assets	1	(1)
Accounts Payable/Interfund Payables		
Unearned Revenue	2	
Compensated Absences		2
Policy Claim Liabilities	872	(1,283)
Other Accrued Liabilities	(16)	21
Net Cash Provided (Used) by Operating Activities	\$9,259	\$2,680

Noncash Transactions (dollars in thousands):

Investments increased in fair value by \$475 for Group Insurance and \$271 for Risk Management. Capital assets were acquired by capital lease in the amount of \$669 by General Services and \$327 by Data Processing Services. General Services disposed of capital assets at a loss of \$20.

General Services	Data Processing Services	Total
\$20,840	\$7,740	\$251,480
6		747
(11,233)	(2,919)	(17,426)
(7,119)	(3,994)	(11,799)
(2,440)	(71)	(2,913)
		(207,340)
54	756	12,749
1,830		1,830
(209)		(209)
(197)		(197)
1,424		1,424
(71)		(71)
(107)	(136)	(243)
	34	34
(1,358)	(242)	(1,608)
(1,536)	(344)	(1,888)
205	51	4,312
		(1,681)
		979
		(109)
205	51	3,501
147	463	15,786
7,950	1,455	82,258
\$8,097	\$1,918	\$98,044
(\$1,321)	\$50	\$10,676
1,899	306	2,209
152	162	345
(168)	14	205
(713)	52	(661)
197	177	376
5	(7)	
		(411)
3	2	10
\$54	\$756	\$12,749



FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and the Firefighters' Retirement Fund are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to survivors of eligible members or beneficiaries.

The Judges' Retirement Fund provides retirement benefits to retired justices, judges, eligible administrative directors, and allowances to surviving spouses.

The Defined Contribution 414(K) Plan and the Defined Contribution 401(K) Plan are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and the Sick Leave Insurance Reserve-Schools Fund are trust funds that provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

The Diversified Bond Fund is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

The Custodial Fund accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

The Payroll Fund is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2009
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ASSETS				
Cash and Cash Equivalents	\$482	\$12	\$203	
Pooled Cash and Investments	2,323	61	457	
Investments:				
Pooled Short Term	352,651	9,218		
Fixed Income Investments	2,090,711	54,650	14,445	
Marketable Securities	4,815,923	125,885	33,625	
Mutual Funds and Private Equities	601,727	15,729		\$50,452
Mortgages and Real Estate	893,881	23,365		
Receivables:				
Investments Sold	931,946	24,242		
Contributions	4,955	62	47	
Interest and Dividends	35,443	922	12	200
Interfund Receivables				
Other Receivables			145	
Other Assets	39,753			
Capital Assets, Net	2,450			
Total Assets	9,772,245	254,146	48,934	50,652
LIABILITIES				
Accounts Payable			30	
Interfund Payables	1,626			
Investments Purchased	1,099,292	28,595		
Other Accrued Liabilities	8,315	211		
Total Liabilities	1,109,233	28,806	30	
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	8,663,012	225,340	48,904	50,652
Postemployment Healthcare Benefits				
Total Net Assets	\$8,663,012	\$225,340	\$48,904	\$50,652

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
\$13			\$710
	\$59	\$75	2,975
656			362,525
	20,120	33,144	2,213,070
	49,877	83,154	5,108,464
235,711			903,619
			917,246
			956,188
312			5,376
748			37,325
	465	1,161	1,626
			145
	349	796	40,898
			2,450
237,440	70,870	118,330	10,552,617
			30
			1,626
			1,127,887
	8	13	8,547
	8	13	1,138,090
237,440			9,225,348
	70,862	118,317	189,179
\$237,440	\$70,862	\$118,317	\$9,414,527

Combining Statement of Changes in Fiduciary Net Assets

Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2009

(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ADDITIONS				
Contributions:				
Member	\$180,063	\$19	\$326	
Employer	284,609	13,434	383	
Transfers In from Other Plans				
Total Contributions	464,672	13,453	709	
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	(1,920,771)	(49,963)	(11,135)	(\$11,881)
Interest, Dividends, and Other	261,769	6,809	1,504	1,552
Securities Lending Income			183	
Less Investment Expense:				
Investment Activity Expense	(39,869)	(1,037)	(98)	(186)
Securities Lending Interest Expense			(38)	
Net Investment Income	(1,698,871)	(44,191)	(9,584)	(10,515)
Miscellaneous Income	84		1,664	
Total Additions	(1,234,115)	(30,738)	(7,211)	(10,515)
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	517,975	17,945	4,158	1,815
Transfers Out to Other Plans				1,057
Administrative Expense	6,233		36	
Total Deductions	524,208	17,945	4,194	2,872
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	(1,758,323)	(48,683)	(11,405)	(13,387)
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	10,421,335	274,023	60,309	64,039
Net Assets - End of Year	\$8,663,012	\$225,340	\$48,904	\$50,652

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
\$35,680			\$216,088
153	\$5,889	\$13,669	318,137
6,058			6,058
41,891	5,889	13,669	540,283
(45,523)	(13,182)	(21,809)	(2,074,264)
6,224	3,240	5,360	286,458
			183
(80)	(34)	(56)	(41,360)
			(38)
(39,379)	(9,976)	(16,505)	(1,829,021)
	3	6	1,757
2,512	(4,084)	(2,830)	(1,286,981)
4,952	4,328	10,012	561,185
7,069			8,126
	36	59	6,364
12,021	4,364	10,071	575,675
(9,509)			(1,841,307)
	(8,448)	(12,901)	(21,349)
246,949	79,310	131,218	11,277,183
\$237,440	\$70,862	\$118,317	\$9,414,527

*State of Idaho***Combining Statement of Fiduciary Net Assets****Investment Trust Funds****June 30, 2009***(dollars in thousands)*

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	\$495,003	\$16,454	\$511,457
Fixed Income Investments	989,856	28,330	1,018,186
Mortgages and Real Estate		55,719	55,719
Securities Lending Collateral	912,754	49,903	962,657
Receivables:			
Interest and Dividends	1,351	588	1,939
Total Assets	2,398,964	150,994	2,549,958
LIABILITIES			
Accounts Payable	72	1	73
Obligations Under Securities Lending	912,754	49,903	962,657
Other Accrued Liabilities	848	311	1,159
Total Liabilities	913,674	50,215	963,889
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	1,485,290	100,779	1,586,069
Total Net Assets	\$1,485,290	\$100,779	\$1,586,069

Combining Statement of Changes in Fiduciary Net Assets**Investment Trust Funds****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	\$3,359,411	\$26,756	\$3,386,167
Total Contributions	3,359,411	26,756	3,386,167
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	8,689	1,462	10,151
Interest, Dividends, and Other	20,667	4,050	24,717
Securities Lending Income	8,362	286	8,648
Less Investment Expense:			
Investment Activity Expense	(752)	(172)	(924)
Securities Lending Interest Expense	(7,051)	(260)	(7,311)
Net Investment Income	29,915	5,366	35,281
Miscellaneous Income		183	183
Total Additions	3,389,326	32,305	3,421,631
DEDUCTIONS			
Earnings Distribution	28,648	3,426	32,074
Participant Withdrawals	3,419,001	7,359	3,426,360
Total Deductions	3,447,649	10,785	3,458,434
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	(58,323)	21,520	(36,803)
Net Assets - Beginning of Year	1,543,613	79,259	1,622,872
Net Assets - End of Year	\$1,485,290	\$100,779	\$1,586,069

Combining Statement of Assets and Liabilities**Agency Funds****June 30, 2009***(dollars in thousands)*

	Custodial	Payroll	Total
ASSETS			
Cash and Cash Equivalents	\$5,418		\$5,418
Pooled Cash and Investments	23,753	\$1,805	25,558
Investments:			
Fixed Income Investments	233,815		233,815
Receivables:			
Interest and Dividends	3		3
Total Assets	\$262,989	\$1,805	\$264,794
LIABILITIES			
Payroll and Related Liabilities		\$1,805	\$1,805
Due to Other Entities	\$597		597
Amounts Held in Trust for Others	261,238		261,238
Other Accrued Liabilities	1,154		1,154
Total Liabilities	\$262,989	\$1,805	\$264,794

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2009

(dollars in thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
CUSTODIAL				
Assets				
Cash and Cash Equivalents	\$6,733	\$5,418	\$6,733	\$5,418
Pooled Cash and Investments	25,838	585,811	587,896	23,753
Fixed Income Investments	222,842	233,815	222,842	233,815
Other Investments	5,715	36	5,751	
Securities Lending Collateral	2,452		2,452	
Interest and Dividends	45	4	46	3
Total Assets	\$263,625	\$825,084	\$825,720	\$262,989
Liabilities				
Due to Other Entities	\$734	\$7,185	\$7,322	\$597
Amounts Held in Trust for Others	255,638	337,781	332,181	261,238
Obligations Under Securities Lending	2,452		2,452	
Other Accrued Liabilities	4,801	38,039	41,686	1,154
Total Liabilities	\$263,625	\$383,005	\$383,641	\$262,989
PAYROLL				
Assets				
Pooled Cash and Investments	\$4,009	\$1,241,871	\$1,244,075	\$1,805
Total Assets	\$4,009	\$1,241,871	\$1,244,075	\$1,805
Liabilities				
Payroll and Related Liabilities	\$4,009	\$1,832,582	\$1,834,786	\$1,805
Total Liabilities	\$4,009	\$1,832,582	\$1,834,786	\$1,805
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and Cash Equivalents	\$6,733	\$5,418	\$6,733	\$5,418
Pooled Cash and Investments	29,847	1,827,682	1,831,971	25,558
Fixed Income Investments	222,842	233,815	222,842	233,815
Other Investments	5,715	36	5,751	
Securities Lending Collateral	2,452		2,452	
Interest and Dividends	45	4	46	3
Total Assets	\$267,634	\$2,066,955	\$2,069,795	\$264,794
Liabilities				
Payroll and Related Liabilities	\$4,009	\$1,832,582	\$1,834,786	\$1,805
Due to Other Entities	734	7,185	7,322	597
Amounts Held in Trust for Others	255,638	337,781	332,181	261,238
Obligations Under Securities Lending	2,452		2,452	
Other Accrued Liabilities	4,801	38,039	41,686	1,154
Total Liabilities	\$267,634	\$2,215,587	\$2,218,427	\$264,794

Statistical Section

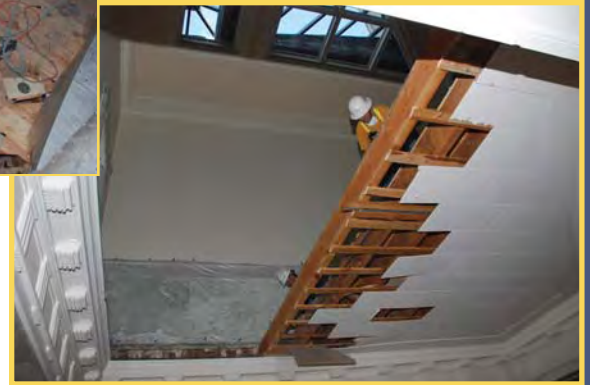
Part of the restoration project is to restore the Capitol to its original design. Over the years, seating areas on the fourth floor were added to provide additional space for visitors. The restoration removed these seating areas and sunlight will once again stream down through the lower floors.



Construction workers remove sections of the fourth floor that had been added to create additional space.



Looking up at the fourth floor being removed.



Looking up from the third floor after the section of the fourth floor was removed.



Staircase on the third floor after the fourth floor was removed.

STATISTICAL SECTION INDEX

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Miscellaneous Statistics – This information may provide the reader with more insight into the State’s financial and demographic status.

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Comprehensive Annual Financial Report.

Schedule 1 - Net Assets by Component
Fiscal Years 2002-2009

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
Governmental Activities						
Invested in Capital Assets, Net of Related Debt ¹	\$3,502,470	\$3,620,644	\$3,759,651	\$3,982,692	\$4,183,431	\$4,406,128
Restricted ²	995,176	1,032,920	1,219,012	1,244,362	1,343,426	1,762,245
Unrestricted ³	333,330	220,604	342,847	571,337	849,405	955,513
Total Governmental Activities Net Assets	\$4,830,976	\$4,874,168	\$5,321,510	\$5,798,391	\$6,376,262	\$7,123,886
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$392,358	\$418,240	\$411,159	\$447,206	\$467,275	\$513,584
Restricted ⁴	602,218	653,739	637,531	619,352	720,721	813,880
Unrestricted ⁵	109,473	33,872	84,174	146,942	163,636	189,577
Total Business-Type Activities Net Assets	\$1,104,049	\$1,105,851	\$1,132,864	\$1,213,500	\$1,351,632	\$1,517,041
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$3,894,828	\$4,038,884	\$4,170,810	\$4,429,898	\$4,650,706	\$4,919,712
Restricted	1,597,394	1,686,659	1,856,543	1,863,714	2,064,147	2,576,125
Unrestricted	442,803	254,476	427,021	718,279	1,013,041	1,145,090
Total Primary Government Net Assets	\$5,935,025	\$5,980,019	\$6,454,374	\$7,011,891	\$7,727,894	\$8,640,927

NOTE: The State implemented GASB Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

¹From fiscal years 2005 to 2009 the governmental activities' investments in capital assets increased primarily due to increases recorded by the Idaho Transportation Department for land and infrastructure by the Idaho State Building Authority for buildings.

²In fiscal year 2009 governmental activities' restricted net assets decreased mainly due to the national recession and the decrease in fair market value of investments, primarily related to the Endowment fund. In fiscal year 2008 governmental activities' restricted net assets increased mainly due to increased operating grants for health care assistance, education, and infrastructure. In fiscal year 2007 governmental activities' restricted net assets increased mainly due to Endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In fiscal year 2006 restricted net assets increased mainly due to Endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2004 restricted net assets increased primarily due to an increase in Endowment fund investment income.

³In fiscal year 2009 the governmental activities' unrestricted net assets decreased mainly due to a decrease in individual and sales tax revenues. In fiscal year 2008 the governmental activities' unrestricted net assets increased due to an increase in sales tax revenue and an increase in unrestricted investment earnings. In fiscal year 2007 the governmental activities' unrestricted net assets increased due to an increase in individual income taxes and an increase in sales tax. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state. In fiscal year 2006 unrestricted net assets increased mainly due to an increase in individual and corporate income taxes. In fiscal years 2004 and 2005 the unrestricted net assets increased due to a temporary sales tax increase and a strengthening economy. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations.

⁴In fiscal year 2009 business-type activities' restricted net assets decreased mainly due to increased unemployment compensation benefits resulting from the economic downturn. In fiscal year 2008 business-type activities' restricted net assets increased mainly due to increases in grant revenues for colleges and universities and the Loan fund. In fiscal years 2007 and 2006 business-type activities' restricted net assets increased mainly due to increases in unemployment compensation assessments and decreases in unemployment claims.

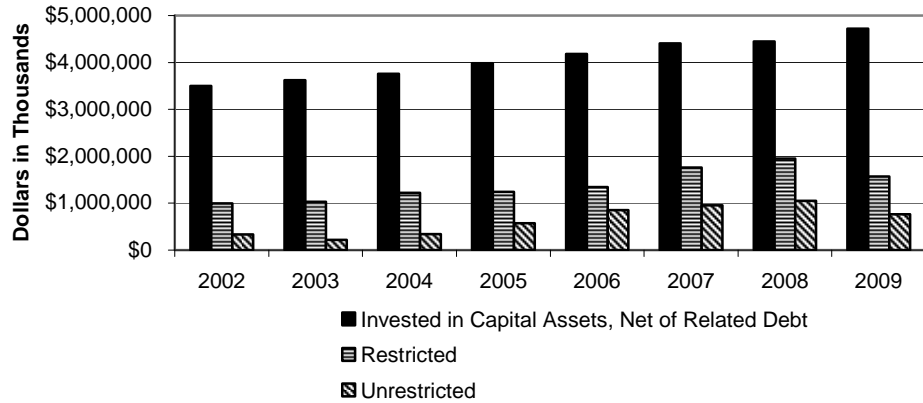
⁵In fiscal year 2007 business-type activities' unrestricted net assets increased due to an increase in capital contributions and student tuition and fees for the colleges and universities. In fiscal year 2005 unrestricted net assets increased primarily due to increased student tuition and fees for the colleges and universities. In fiscal year 2004 unrestricted net assets increased due to grant revenues for colleges and universities. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet current year obligations.

2008 (as restated)	2009
\$4,450,353	\$4,721,700
1,950,190	1,566,748
1,052,145	762,203
\$7,452,688	\$7,050,651

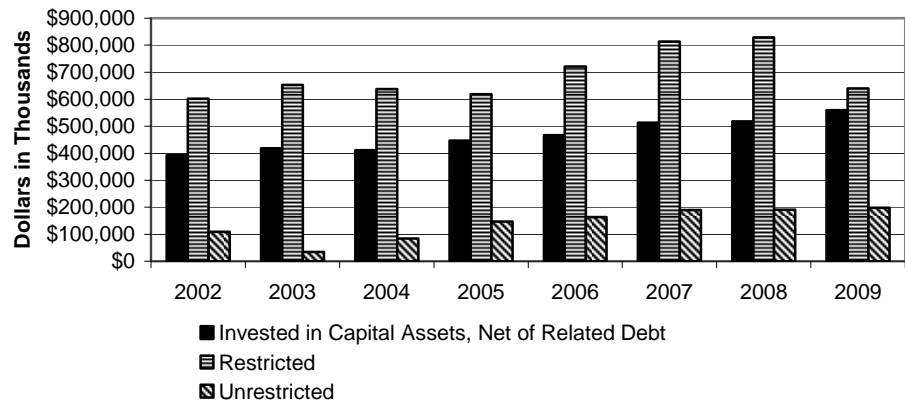
\$517,949	\$560,232
829,375	640,725
190,656	198,573
\$1,537,980	\$1,399,530

\$4,968,302	\$5,281,932
2,779,565	2,207,473
1,242,801	960,776
\$8,990,668	\$8,450,181

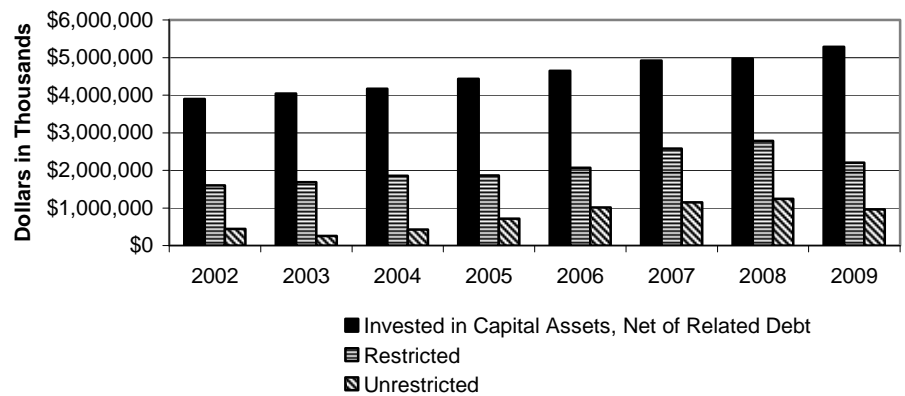
**Governmental Activities Net Assets by Component
Fiscal Years 2002-2009**



**Business-Type Activities Net Assets by Component
Fiscal Years 2002-2009**



**Primary Government Net Assets by Component
Fiscal Years 2002-2009**



Schedule 2 - Changes in Net Assets

Fiscal Years 2002-2009

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)
Governmental Activities:						
Expenses						
General Government	\$339,024	\$305,709	\$349,990	\$393,172	\$420,772	\$403,506
Public Safety and Correction	239,336	238,050	241,550	229,158	266,036	285,669
Health and Human Services ¹	1,242,566	1,347,997	1,507,865	1,600,692	1,676,706	1,750,187
Education ²	1,244,030	1,252,020	1,287,879	1,331,795	1,385,448	1,704,447
Economic Development	577,468	587,152	600,341	616,149	629,499	673,234
Natural Resources	215,537	170,761	186,594	205,635	213,599	217,222
Interest Expense	16,652	18,911	16,556	18,175	21,130	32,232
Total Expenses	3,874,613	3,920,600	4,190,775	4,394,776	4,613,190	5,066,497
Program Revenues						
Charges for Services:						
General Government	70,953	97,188	133,855	96,174	92,873	77,750
Economic Development	198,706	197,041	198,643	203,550	215,735	239,728
Natural Resources	115,256	122,034	123,613	123,183	146,481	145,349
Other Activities	85,886	102,874	103,702	118,346	117,865	135,765
Operating Grants and Contributions ³	1,230,063	1,461,507	1,787,214	1,832,487	1,899,754	2,045,958
Capital Grants and Contributions	3,564	1,882	3,284	5,211	8,624	1,481
Total Program Revenues	1,704,428	1,982,526	2,350,311	2,378,951	2,481,332	2,646,031
Total Governmental Activities Net Program Expense	(2,170,185)	(1,938,074)	(1,840,464)	(2,015,825)	(2,131,858)	(2,420,466)
General Revenues and Other Changes in Net Assets						
Taxes:						
Sales Tax ⁴	789,110	860,526	1,039,746	1,135,210	1,061,861	1,296,040
Individual and Corporate Taxes ⁵	877,594	922,790	991,520	1,167,799	1,428,996	1,605,218
Fuel Tax	231,105	223,515	215,096	220,801	224,373	232,025
Other Taxes	133,329	160,935	182,606	185,375	182,112	185,748
Tobacco Settlement	26,602	23,772	23,004	23,145	21,404	27,328
Grants Not Restricted to Specific Programs			50,007			
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595	34,734	35,430
Transfers	(228,921)	(223,729)	(226,193)	(255,219)	(243,751)	(213,699)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706	2,709,729	3,168,090
Total Governmental Activities Change in Net Assets	(\$320,358)	\$43,192	\$447,342	\$476,881	\$577,871	\$747,624
Business-Type Activities:						
Expenses						
College and University	\$665,908	\$667,324	\$699,674	\$753,689	\$780,066	\$815,373
Unemployment Compensation ⁶	182,343	179,423	164,950	142,862	109,113	109,338
Loan	1,369	1,072	913	654	719	954
State Lottery	71,848	76,310	85,046	89,424	97,605	99,307
Liquor Dispensary	64,593	68,664	75,747	79,817	93,204	105,126
Correctional Industries	6,053	5,427	5,835	5,655	6,239	6,852
Total Expenses	992,114	998,220	1,032,165	1,072,101	1,086,946	1,136,950
Revenues						
Charges for Services:						
College and University	192,388	243,292	250,417	283,463	315,924	341,823
Unemployment Compensation ⁶	153,031	124,379	130,789	143,828	159,365	191,758
State Lottery	89,228	98,267	109,443	113,613	131,305	130,811
Other Activities	86,184	89,833	96,490	108,600	124,600	142,193
Operating Grants and Contributions	174,575	198,007	222,013	228,049	229,902	227,620
Capital Grants and Contributions ⁷	42,488	22,515	23,833	19,965	20,231	54,455
Total Revenues	737,894	776,293	832,985	897,518	981,327	1,088,660
Total Business-Type Activities Net Program Expense	(254,220)	(221,927)	(199,180)	(174,583)	(105,619)	(48,290)
General Revenues and Other Changes in Net Assets						
Transfers	271,104	223,729	226,193	255,219	243,751	213,699
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219	243,751	213,699
Total Business-Type Activities Change in Net Assets	\$16,884	\$1,802	\$27,013	\$80,636	\$138,132	\$165,409
Total Primary Government Change in Net Assets	(\$303,474)	\$44,994	\$474,355	\$557,517	\$716,003	\$913,033

¹From fiscal years 2002 to 2009 health and human services' expenses have increased due to rising Medicaid and income assistance payments.

²From fiscal years 2007 to 2009 education expenses increased due to an increased public school distribution for facilities improvements, salaries, and operating expenses.

³From fiscal years 2002 to 2009 operating grants and contributions increased benefiting health, transportation, education, and natural resources.

⁴In fiscal year 2009 state sales tax revenues decreased due to the recession and decreased levels of employment and personal income. In fiscal year 2007 the state sales tax increased from 5 to 6 percent. From fiscal years 2003 to 2005 sales tax revenues increased due to a temporary sales tax increase and increased consumer spending. The state sales tax increased from 5 to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005.

⁵In fiscal year 2009 individual and corporate income taxes decreased due to the recession and decreased levels of employment and personal income. In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income.

⁶In fiscal years 2009 and 2008 unemployment compensation expenses increased due to higher unemployment claims. In fiscal year 2008 unemployment compensation revenues decreased due to a decrease in assessments. In fiscal year 2007 revenues increased due to increased assessments and investment income. In fiscal year 2006 expenses decreased due to fewer unemployment claims related to low unemployment.

⁷In fiscal year 2007 capital grants and contributions revenues increased due to an increase in capital contributions for the colleges and universities.

2008 (as restated)	2009
\$463,125	\$450,875
324,843	326,125
1,818,932	2,115,148
1,796,160	1,850,258
756,677	743,811
243,925	241,108
45,530	46,767
<u>5,449,192</u>	<u>5,774,092</u>

119,443	93,376
258,576	256,184
150,752	133,138
128,367	131,608
1,955,236	2,034,795
906	8,892
<u>2,613,280</u>	<u>2,657,993</u>
<u>(2,835,912)</u>	<u>(3,116,099)</u>

1,334,032	1,177,106
1,599,881	1,320,968
228,786	214,113
185,874	186,489
28,631	31,094

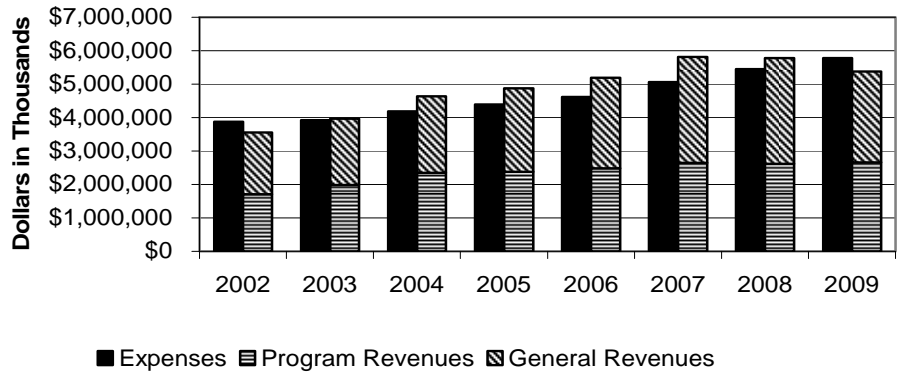
51,537	36,139
<u>(264,027)</u>	<u>(251,847)</u>
<u>3,164,714</u>	<u>2,714,062</u>
<u>\$328,802</u>	<u>(\$402,037)</u>

\$875,586	\$896,993
171,918	338,600
2,267	5,910
102,065	105,780
112,476	117,185
7,574	8,323
<u>1,271,886</u>	<u>1,472,791</u>

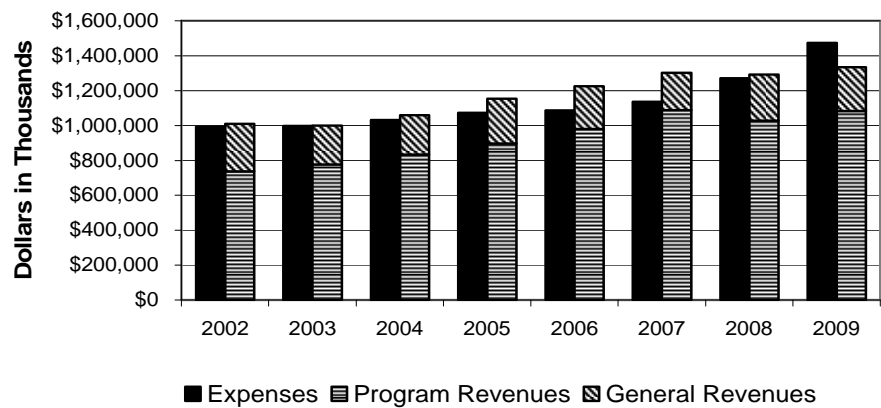
337,699	339,989
126,575	130,879
137,664	140,316
152,428	156,483
244,954	293,673
29,478	21,154
<u>1,028,798</u>	<u>1,082,494</u>
<u>(243,088)</u>	<u>(390,297)</u>

264,027	251,847
<u>264,027</u>	<u>251,847</u>
<u>\$20,939</u>	<u>(\$138,450)</u>
<u>\$349,741</u>	<u>(\$540,487)</u>

Expenses and Revenues - Governmental Activities
Fiscal Years 2002-2009



Expenses and Revenues - Business-Type Activities
Fiscal Years 2002-2009



Schedule 3 - Fund Balances - Governmental Funds

Fiscal Years 2000-2009

(modified accrual basis of accounting, dollars in thousands)

	2000	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)
General Fund							
Reserved ¹	\$30,235	\$55,064	\$40,311	\$16,248	\$33,012	\$28,703	\$30,404
Unreserved ²	444,791	519,321	277,578	158,844	290,874	497,605	744,413
Total General Fund³	475,026	574,385	317,889	175,092	323,886	526,308	774,817
All Other Governmental Funds							
Reserved ⁴	87,863	70,819	722,033	784,150	893,308	911,390	985,836
Unreserved, Reported in:							
Special Revenue Funds ⁵	245,723	250,225	255,214	248,629	273,142	271,410	261,256
Capital Projects							
Permanent Funds ⁶			15,886	11,495	28,421	53,992	94,651
Total All Other Governmental Funds	333,586	321,044	993,133	1,044,274	1,194,871	1,236,792	1,341,743
Total Fund Balances - Governmental Funds	\$808,612	\$895,429	\$1,311,022	\$1,219,366	\$1,518,757	\$1,763,100	\$2,116,560

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

¹In fiscal year 2007 the General Fund reserved fund balance increased due to funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

²In fiscal year 2009 the General Fund unreserved fund balance decreased due to decreased revenue from individual and corporate income tax, sales tax revenue, and investment income. In fiscal year 2008 the increase is mainly attributable to increased sales tax revenue, sales of goods and services, and investment income. In fiscal year 2007 the increase is mainly attributable to increased sales tax and individual income tax revenues. In fiscal year 2006 the increase is mainly attributable to increased personal and corporate income tax revenues. The increases in fiscal years 2005 and 2004 were due to a temporary sales tax increase and a strengthening economy.

³In fiscal years 2002, 2003, and 2009 Idaho's economy suffered during a national recession, as reflected in the decreased General Fund balances.

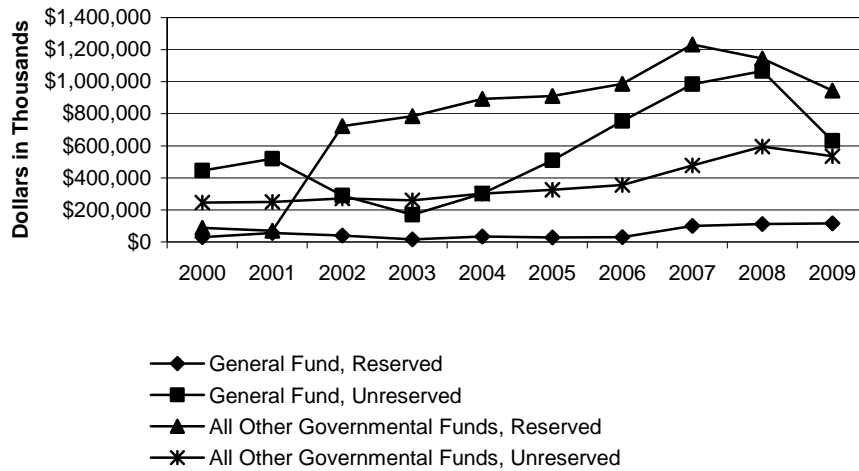
⁴In fiscal years 2009 and 2008 the other governmental funds reserved fund balance decrease is mainly due to a decrease in the fair market value of Endowment fund investments. In fiscal year 2007 the increase is mainly due to increased Endowment fund investment income and bond issuance by the Idaho State Building Authority. The increases in fiscal year 2006 were largely due to an increase in the fair value of Endowment fund investments.

⁵In fiscal years 2008 and 2007 the increase in the unreserved special revenue funds balance was due to an increase in operating grants and contributions to Health and Welfare and the Idaho Transportation Department.

⁶In fiscal year 2009 the decrease in the unreserved permanent funds balance was primarily due to the national recession and the resultant decrease in the fair value of investments, mainly relating to the Endowment fund. In fiscal years 2007 and 2006 the increase in the unreserved permanent funds balance was due primarily to expendable Endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2002 the Public School and Pooled Endowment funds were reclassified from non-expendable trust funds to permanent funds.

2007 (as restated)	2008 (as restated)	2009
\$98,908	\$112,341	\$116,619
985,312	1,067,000	631,397
1,084,220	1,179,341	748,016
1,231,429	1,144,757	943,847
314,840	400,535	378,929
25	51	145
163,125	194,335	156,349
1,709,419	1,739,678	1,479,270
\$2,793,639	\$2,919,019	\$2,227,286

**Fund Balances - Governmental Funds
Fiscal Years 2000-2009**



Schedule 4 - Changes in Fund Balances - Governmental Funds

Fiscal Years 2000-2009

(modified accrual basis of accounting, dollars in thousands)

	2000	2001	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)
Revenues							
Sales Tax ¹	\$761,628	\$778,162	\$778,028	\$864,509	\$1,040,448	\$1,137,138	\$1,060,612
Individual and Corporate Taxes ²	1,285,262	1,171,467	889,746	904,204	997,454	1,176,903	1,436,168
Other Taxes	406,781	412,171	362,546	387,820	397,950	406,620	406,336
Licenses, Permits, and Fees	179,089	214,509	212,733	230,599	240,323	244,165	256,900
Sale of Goods and Services	107,480	112,987	173,220	181,049	252,291	231,728	235,410
Grants and Contributions ³	1,100,570	1,264,609	1,330,474	1,447,574	1,719,520	1,757,713	1,806,749
Investment Income ⁴	102,169	96,525	(52,315)	49,681	135,718	104,557	144,559
Tobacco Settlement		22,441	26,602	23,772	22,848	23,151	21,253
Other Income	85,503	34,799	46,641	79,033	47,658	48,047	47,606
Total Revenues	4,028,482	4,107,670	3,767,675	4,168,241	4,854,210	5,130,022	5,415,593
Expenditures							
General Government	418,639	253,747	127,440	104,109	122,876	143,584	147,445
Public Safety and Correction	204,137	233,793	218,142	212,878	219,417	233,598	253,504
Health and Human Services ⁵	911,642	1,078,943	1,206,910	1,315,668	1,468,736	1,561,765	1,641,421
Education ⁶	1,169,920	1,226,922	1,219,332	1,240,835	1,279,486	1,324,069	1,379,775
Economic Development	421,421	436,532	326,868	347,280	307,312	346,256	358,814
Natural Resources	125,977	135,682	162,199	147,630	163,769	178,401	188,784
Capital Outlay ⁷	350,656	401,518	353,389	401,279	436,133	433,096	423,582
Intergovernmental Revenue Sharing	235,804	259,360	342,501	315,444	385,698	393,195	425,414
Debt Service:							
Principal			4,850	6,915	8,061	10,880	10,751
Interest			11,587	12,511	8,069	17,671	20,736
Total Expenditures	3,838,196	4,026,497	3,973,218	4,104,549	4,399,557	4,642,515	4,850,226
Revenues Over (Under) Expenditures	190,286	81,173	(205,543)	63,692	454,653	487,507	565,367
Other Financing Sources (Uses)							
Bonds and Notes Issued		5,856	16,440	64,145	64,795	26	10,790
Premium/(Discount) on Bonds Issued			(144)	(763)	(864)		(23)
Capital Lease Acquisitions	130	669	8			3,757	5,697
Payment to Refunded Bond Escrow Agent							
Sale of Capital Assets					6,909	8,037	17,193
Transfers In	404,084	484,088	547,785	525,453	553,181	594,877	640,776
Transfers Out	(378,217)	(458,235)	(776,385)	(744,183)	(779,283)	(849,861)	(886,340)
Total Other Financing Sources (Uses)	25,997	32,378	(212,296)	(155,348)	(155,262)	(243,164)	(211,907)
Net Changes in Fund Balances	\$216,283	\$113,551	(\$417,839)	(\$91,656)	\$299,391	\$244,343	\$353,460

Debt Service as a Percentage of Noncapital Expenditures <1 <1 <1 <1 <1

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

¹In fiscal year 2009 sales tax revenue decreased due to the national recession and decreased levels of employment and personal income. On October 1, 2006, the state sales tax rate increased from 5 to 6 percent. From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 to 6 percent.

²In fiscal year 2009 individual and corporate income taxes decreased due to the national recession and decreased levels of employment and personal income. In fiscal years 2007 and 2006 individual and corporate income taxes increased due to increased levels of employment and personal income. In fiscal years 2002 and 2001 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession.

³Grants and contributions have steadily increased due to federal grants; mainly benefiting health, transportation, and education.

⁴In fiscal year 2009 investment income decreased due to the decrease in fair market value of the Endowment fund. In fiscal year 2008 investment income decreased largely due to a decrease in fair value of investments, mainly relating to the endowment fund. In fiscal years 2007 and 2006 investment income increased largely due to an increase in fair value of investments to the endowment fund. The loss for fiscal year 2002 was due to the effects of the national recession and the resultant decrease in the fair value of investments, mainly relating to the Endowment fund.

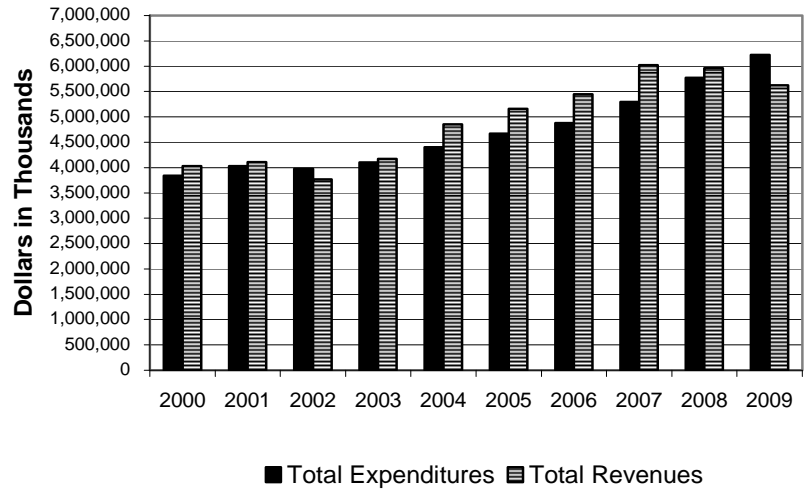
⁵Health and human services' expenditures have steadily risen due to increasing Medicaid and income assistance payments.

⁶From fiscal years 2007 to 2009 education expenses increased due to an increased public school distribution for facilities improvements, salaries, and operating expenses.

⁷In fiscal years 2009 and 2008 capital outlay expense increased mainly due to transportation infrastructure and state building expenses.

2007 (as restated)	2008 (as restated)	2009
\$1,300,416	\$1,333,018	\$1,174,802
1,598,702	1,587,694	1,325,996
417,763	414,671	398,639
273,223	279,156	277,354
235,750	231,885	232,526
1,880,049	1,962,931	2,251,714
225,717	63,406	(130,488)
23,712	28,504	30,965
65,538	61,530	61,943
6,020,870	5,962,795	5,623,451
151,358	177,312	186,119
269,874	300,106	305,141
1,701,863	1,775,609	2,096,507
1,683,254	1,777,690	1,843,401
368,439	390,424	406,694
186,179	217,214	212,398
452,755	545,059	634,187
441,421	452,089	436,866
12,403	92,377	55,645
25,576	45,365	49,368
5,293,122	5,773,245	6,226,326
727,748	189,550	(602,875)
155,463	187,603	152,641
6,533	1,039	22
(4,765)		
7,066	11,590	11,947
713,275	731,774	700,654
(928,241)	(996,176)	(954,122)
(50,669)	(64,170)	(88,858)
\$677,079	\$125,380	(\$691,733)
<1	2.5	1.8

Revenues and Expenditures - Governmental Funds
Fiscal Years 2000-2009



Schedule 5 - Revenue Base

Fiscal/Calendar Years 2000-2009 (dollars in thousands)

Taxable Sales by Industry	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Commercial Farms	\$6,224	\$5,449	\$8,020	\$7,674	\$7,265	\$8,687	\$10,093
Agricultural/Forestry, Fishing, and Other	61,284	58,662	70,264	73,489	75,997	85,183	99,736
Mining	32,947	32,138	35,884	39,280	47,589	53,612	67,655
Construction	281,400	273,933	327,244	322,652	315,977	410,645	484,901
Manufacturing	969,768	994,325	1,063,164	1,150,728	1,012,159	1,026,589	998,714
Transportation and Public Utilities	202,097	224,342	247,881	176,603	226,260	253,306	250,375
Wholesale Trade	929,375	874,526	948,927	1,004,481	1,063,094	1,246,743	1,481,922
Retail Trade	10,165,734	9,567,159	11,020,633	11,386,198	11,968,267	12,769,055	14,083,361
Finance, Insurance, and Real Estate	191,574	171,804	133,105	123,765	116,476	117,091	153,983
Services	1,664,407	1,615,100	1,873,229	1,858,090	1,855,726	1,884,819	2,105,191
State and Local Government	407,500	394,094	1,720,162	523,861	620,550	671,249	690,509
Total Taxable Sales	\$14,912,310	\$14,211,532	\$17,448,513	\$16,666,821	\$17,309,360	\$18,526,979	\$20,426,440
Direct Sales Tax Rate	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	5.0%
Personal Income by Industry ¹	Calendar Year						
	2000	2001	2002	2003	2004	2005	2006
Farm Earnings	\$866,537	\$1,042,680	\$953,330	\$747,673	\$1,013,175	\$886,720	\$689,440
Agricultural/Forestry, Fishing, and Other	356,736	383,005	365,290	370,170	376,425	405,035	419,670
Mining	136,607	115,930	109,675	121,693	140,332	156,413	189,354
Construction/Utilities	1,952,596	2,269,257	2,169,344	2,172,429	2,398,065	2,722,988	3,163,431
Manufacturing	3,989,283	3,453,229	3,389,391	3,450,110	3,636,190	3,798,138	4,242,763
Transportation	741,826	773,647	772,835	782,228	873,844	930,817	987,024
Wholesale Trade	1,061,767	1,120,456	1,111,561	1,142,258	1,224,888	1,380,903	1,519,735
Retail Trade	1,974,673	2,037,054	2,111,947	2,195,532	2,300,519	2,566,158	2,818,799
Finance, Insurance, and Real Estate	1,368,867	1,383,119	1,416,562	1,527,446	1,615,832	1,785,336	2,000,887
Services	6,840,158	7,495,498	7,950,164	8,203,449	9,010,761	9,654,252	10,673,769
Federal, Civilian	817,882	841,421	885,609	932,310	1,020,835	1,043,507	1,096,910
Military	309,966	329,684	402,061	461,639	512,325	539,326	543,711
State and Local Government	3,036,475	3,238,626	3,446,783	3,567,797	3,784,593	3,963,284	4,138,714
Other ²	7,836,409	8,570,391	8,764,012	9,141,258	10,171,397	11,012,000	11,898,456
Total Personal Income	\$31,289,782	\$33,053,997	\$33,848,564	\$34,815,992	\$38,079,181	\$40,844,877	\$44,382,663
Total Direct Personal Income Tax Rate	8.0%	7.6%	7.6%	7.6%	7.6%	7.7%	7.7%
Corporate Income by Category ³	Calendar Year						
	2000	2001	2002	2003	2004	2005	2006
Corporations	(\$51,141)	(\$1,677,005)	(\$1,889,357)	(\$233,472)	\$62,838	\$54,837	\$6,080
Sub-S Corporations	50,385	39,893	28,494	39,253	74,857	126,174	87,233
Partnerships	(52,021)	(241,506)	(159,037)	(22,093)	(16,627)	(2,182)	(1,257)
Fiduciary	52,321	(10,005)	(26,256)	(120,714)	23,806	57,112	42,999
Total Corporate Income	(\$456)	(\$1,888,623)	(\$2,046,156)	(\$337,026)	\$144,874	\$235,941	\$135,055
Direct Corporate Income Tax Rate	8.0%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Vehicle Fuel Sales by Category ³ (in thousands of gallons)	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Diesel			228,171	230,162	239,784	241,079	258,715
Gasoline			612,947	617,800	629,499	625,453	636,565
Propane			147	135	138	98	77
Natural Gas ⁴			12	15	12	16	13
Aviation			3,021	2,778	2,926	2,512	2,512
Jet			30,081	29,401	26,921	28,250	31,038
Total Fuel Sales			874,379	880,291	899,280	897,408	928,920
Total Direct Fuel Tax Rate (per gallon of fuel)			\$0.242	\$0.243	\$0.243	\$0.243	\$0.243

Sources: Taxable sales, corporate income, and vehicle fuel sales--Idaho State Tax Commission; Personal income--U.S. Bureau of Economic Analysis and the Idaho Division of Financial Management.

¹The U.S. Bureau of Economic Analysis switched from SIC to NAICS system in calendar year 2001. Personal income data for calendar years 2008 and 2009 are estimates.

²Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

³Corporate income data is currently not available for calendar years 2008 and 2009; vehicle fuel sales data is not available for fiscal years 2000 and 2001.

⁴The natural gas distributors reported no vehicle fuel sales for fiscal years 2007 through 2009.

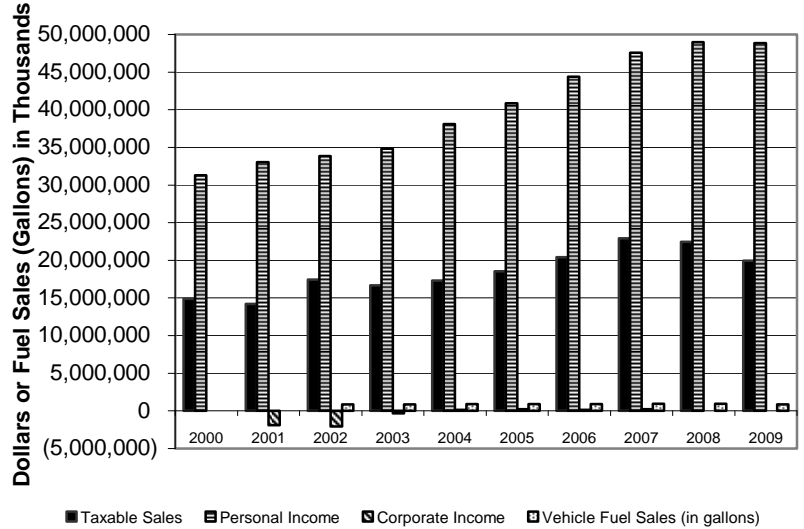
2007	2008	2009
\$11,416	\$11,679	\$10,055
124,479	127,115	111,833
72,407	74,440	54,148
572,823	583,884	486,661
1,403,805	1,050,425	813,738
347,677	390,536	361,449
1,766,289	1,870,820	1,679,196
15,364,551	14,963,180	13,418,803
149,466	155,363	143,607
2,330,698	2,409,065	2,161,247
782,729	817,606	703,459
\$22,926,340	\$22,454,113	\$19,944,196
6.0%	6.0%	6.0%

2007	2008	2009
\$1,141,747	\$958,101	\$1,030,000
420,943	402,744	353,000
227,201	249,126	187,000
3,303,082	2,861,886	2,583,000
4,334,034	4,227,481	3,647,000
1,031,156	1,047,563	1,660,000
1,656,190	1,676,552	2,801,000
2,863,554	2,847,298	1,104,000
2,040,247	2,047,143	1,865,000
11,229,744	11,691,660	12,014,000
1,127,126	1,189,370	1,187,000
575,562	621,346	666,000
4,306,077	4,554,086	4,817,000
13,326,117	14,590,316	14,936,000
\$47,582,780	\$48,964,672	\$48,850,000
7.7%	NA	NA

2007	2008	2009
\$146,513	NA	NA
72,520	NA	NA
(82,978)	NA	NA
70,944	NA	NA
\$206,999	NA	NA
7.6%	7.6%	7.6%

2007	2008	2009
284,009	282,616	237,206
647,363	636,125	584,872
62	53	107
2,598	2,461	1,864
33,591	36,217	29,697
967,623	957,472	853,746
\$0.242	\$0.242	\$0.243

Idaho Revenue Base
Fiscal/Calendar Years 2000-2009



Schedule 6 - Revenue Rates
Fiscal/Calendar Years 2000-2009

Personal Income Tax Rates¹

	Calendar Year						
	2000 ²	2001 ²	2002	2003	2004	2005	2006
Tax Rates on the Portion of Taxable Income in Ranges							
Tax Rate	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS) ³	\$0-1,022	\$0-1,056	\$0-1,087	\$0-1,104	\$0-1,129	\$0-1,159	\$0-1,197
Income Levels (MFJ, HoH, QW) ³	\$0-2,044	\$0-2,112	\$0-2,174	\$0-2,208	\$0-2,258	\$0-2,318	\$0-2,395
Tax Rate	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	\$1,023-2,044	\$1,057-2,113	\$1,088-2,173	\$1,105-2,207	\$1,130-2,258	\$1,160-2,318	\$1,198-2,395
Income Levels (MFJ, HoH, QW)	\$2,045-4,088	\$2,113-4,226	\$2,175-4,346	\$2,209-4,414	\$2,259-4,516	\$2,319-4,636	\$2,396-4,791
Tax Rate	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	\$2,045-3,066	\$2,114-3,169	\$2,174-3,260	\$2,208-3,311	\$2,259-3,387	\$2,319-3,477	\$2,396-3,593
Income Levels (MFJ, HoH, QW)	\$4,089-6,132	\$4,227-6,338	\$4,347-6,520	\$4,415-6,622	\$4,517-6,774	\$4,636-6,953	\$4,792-7,187
Tax Rate	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	\$3,067-4,088	\$3,170-4,226	\$3,261-4,346	\$3,312-4,415	\$3,388-4,515	\$3,478-4,636	\$3,594-4,792
Income Levels (MFJ, HoH, QW)	\$6,133-8,176	\$6,339-8,452	\$6,521-8,692	\$6,623-8,830	\$6,775-9,030	\$6,954-9,271	\$7,188-9,585
Tax Rate	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	\$4,089-5,110	\$4,227-5,282	\$4,347-5,433	\$4,416-5,518	\$4,516-5,644	\$4,637-5,794	\$4,793-5,990
Income Levels (MFJ, HoH, QW)	\$8,177-10,220	\$8,453-10,564	\$8,693-10,866	\$8,831-11,036	\$9,031-11,288	\$9,272-11,589	\$9,586-11,981
Tax Rate	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	\$5,111-7,666	\$5,283-7,923	\$5,434-8,149	\$5,519-8,278	\$5,645-8,466	\$5,795-8,692	\$5,991-8,995
Income Levels (MFJ, HoH, QW)	\$10,221-15,332	\$10,565-15,846	\$10,867-16,298	\$11,037-16,556	\$11,289-16,932	\$11,590-17,383	\$11,982-17,971
Tax Rate	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	\$7,677-20,442	\$7,924-21,129	\$8,150-21,730	\$8,279-22,074	\$8,467-22,577	\$8,693-23,178	\$8,996-23,962
Income Levels (MFJ, HoH, QW)	\$15,333-40,884	\$15,847-42,258	\$16,299-43,460	\$16,557-44,148	\$16,933-45,154	\$17,384-46,356	\$17,972-47,925
Tax Rate	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels (S, MFS)	\$20,443 +	\$21,130 +	\$21,731 +	\$22,075 +	\$22,578 +	\$23,179 +	\$23,963 +
Income Levels (MFJ, HoH, QW)	\$40,885 +	\$42,259 +	\$43,461 +	\$44,149 +	\$45,155 +	\$46,357 +	\$47,926 +
Total Direct Rate⁴	8.0%	7.6%	7.6%	7.6%	7.6%	7.7%	7.7%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Diesel	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197	0.197
Aviation	0.055	0.055	0.055	0.055	0.055	0.055	0.055
Jet	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Total Direct Rate⁵ <i>(per gallon of fuel)</i>	NA	NA	\$0.242	\$0.243	\$0.243	\$0.243	\$0.243

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required; Idaho Constitution, Art. VII, Section 16; Idaho Code, Sections 63-3024 and 63-2402.

¹Idaho's personal income tax brackets are adjusted each year for inflation.

²The Legislature passed structural reductions in the state income tax base effective for calendar years 2000 and 2001.

³Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of House, QW = Qualifying Widow(er).

⁴Personal Income data is currently not available for calendar years 2008 and 2009.

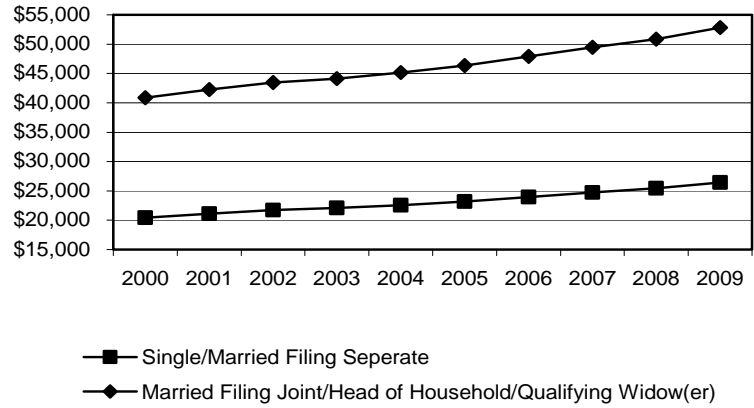
⁵Vehicle fuel sales data is not available for fiscal years 2000 and 2001.

2007	2008	2009
1.6% \$0-1,236 \$0-2,474	1.6% \$0-1,272 \$0-2,544	1.6% \$0-1,321 \$0-2,642
3.6% \$1,237-2,473 \$2,475-4,948	3.6% \$1,273-2,544 \$2,545-5,088	3.6% \$1,322-2,642 \$2,643-5,284
4.1% \$2,474-3,709 \$4,949-7,420	4.1% \$2,545-3,816 \$5,089-7,632	4.1% \$2,643-3,963 \$5,285-7,926
5.1% \$3,710-4,946 \$7,421-9,894	5.1% \$3,817-5,088 \$7,633-10,176	5.1% \$3,964-5,284 \$7,927-10,568
6.1% \$4,947-6,183 \$9,895-12,368	6.1% \$5,089-6,360 \$10,177-12,720	6.1% \$5,285-6,604 \$10,569-13,208
7.1% \$6,184-9,275 \$12,369-18,552	7.1% \$6,361-9,540 \$12,721-19,080	7.1% \$6,605-9,907 \$13,209-19,814
7.4% \$9,276-24,735 \$18,553-49,472	7.4% \$9,541-25,441 \$19,081-50,882	7.4% \$9,908-26,418 \$19,815-52,836
7.8% \$24,736 + \$49,473 +	7.8% \$25,442 + \$50,883 +	7.8% \$26,419 + \$52,837 +

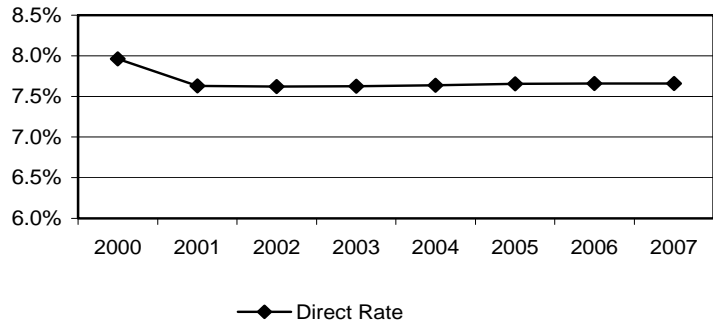
7.7% NA NA

2007	2008	2009
\$0.250	\$0.250	\$0.250
0.250	0.250	0.250
0.181	0.181	0.181
0.197	0.197	0.197
0.055	0.070	0.070
0.045	0.060	0.060
\$0.242	\$0.242	\$0.243

Personal Taxable Income Level for Top Rate Payers
Calendar Years 2000-2009



Personal Income Tax Direct Rate
Calendar Years 2000-2007



Schedule 7 - Revenue Payers by Industry/Category
Historical Comparison and Most Current Fiscal/Calendar Year
(dollars in thousands)

Sales Tax					As of June 30, 1999				As of June 30, 2008			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	303	0.5	\$257	0.0	413	0.7	\$644	0.1				
Agricultural	819	1.4	2,554	0.4	1,051	1.7	7,089	0.5				
Mining	128	0.2	1,452	0.2	163	0.3	4,096	0.3				
Construction	3,148	5.5	11,749	1.7	4,442	7.2	32,137	2.4				
Manufacturing	4,193	7.4	43,800	6.3	4,970	8.1	58,814	4.5				
Transportation & Utilities	861	1.5	7,608	1.1	1,234	2.0	22,387	1.7				
Wholesale trade	1,968	3.4	41,796	6.0	3,190	5.2	110,830	8.4				
Retail trade	26,871	47.0	481,441	69.3	24,969	40.6	890,760	67.6				
Finance, Insurance, and Real Estate	593	1.0	8,103	1.2	787	1.3	9,081	0.7				
Services	17,981	31.5	76,950	11.1	19,581	31.8	140,660	10.7				
Government	339	0.6	19,047	2.7	683	1.1	40,868	3.1				
Total	57,204	100.0	\$694,757	100.0	61,483	100.0	\$1,317,366	100.0				

Personal Income					As of December 31, 1998				As of December 31, 2007			
Income Level	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
\$50,000 and under	490,981	90.5	\$372,230	45.9	595,652	85.2	\$423,821	28.4				
\$50,000 - \$100,000	39,066	7.2	188,139	23.2	72,070	10.3	343,071	23.0				
\$100,000 - \$250,000	9,654	1.8	104,346	12.9	23,721	3.4	257,204	17.2				
\$250,000 - \$1,000,000	2,489	0.4	79,462	9.8	6,289	0.9	215,583	14.4				
\$1,000,000 and higher	350	0.1	66,862	8.2	1,035	0.2	254,436	17.0				
Total	542,540	100.0	\$811,039	100.0	698,767	100.0	\$1,494,115	100.0				

Corporate Income					As of Tax Year 1998				As of Tax Year 2007			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,605	28.9	\$96,281	92.0	13,669	17.3	\$146,513	70.8				
Sub-S Corporations	16,010	29.7	3,983	3.8	29,086	36.8	72,520	35.0				
Partnerships	14,434	26.7	903	0.9	26,899	34.1	(82,978)	(40.1)				
Fiduciary	7,934	14.7	3,488	3.3	9,315	11.8	70,944	34.3				
Total	53,983	100.0	\$104,655	100.0	78,969	100.0	\$206,999	100.0				

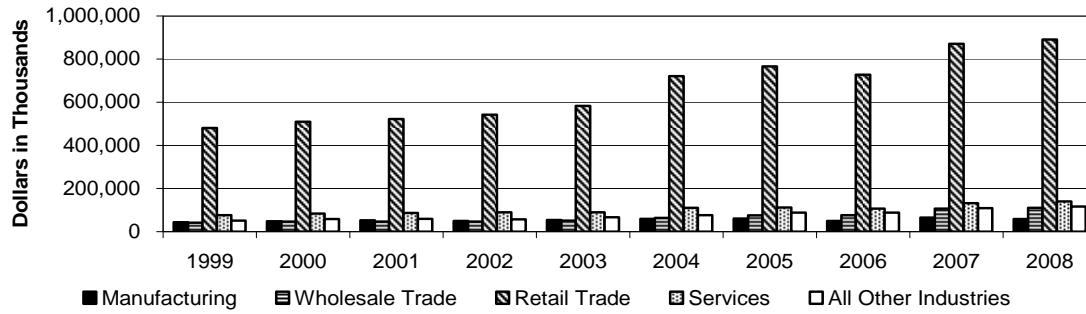
Vehicle Fuel Tax					As of June 30, 2002				As of June 30, 2009			
	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	\$57,013	26.9	109	42.9	\$59,301	28.6				
Gasoline	138	41.5	153,105	72.3	101	39.8	146,218	70.5				
Propane	26	7.8	50	0.0	23	9.0	36	0.0				
Natural Gas	2	0.6	9	0.0		0.0	10	0.0				
Aviation	14	4.2	166	0.1	7	2.8	125	0.1				
Jet	20	6.0	1,352	0.7	14	5.5	1,696	0.8				
Total	333	100.0	\$211,695	100.0	254	100.0	\$207,386	100.0				

Source: Idaho State Tax Commission.

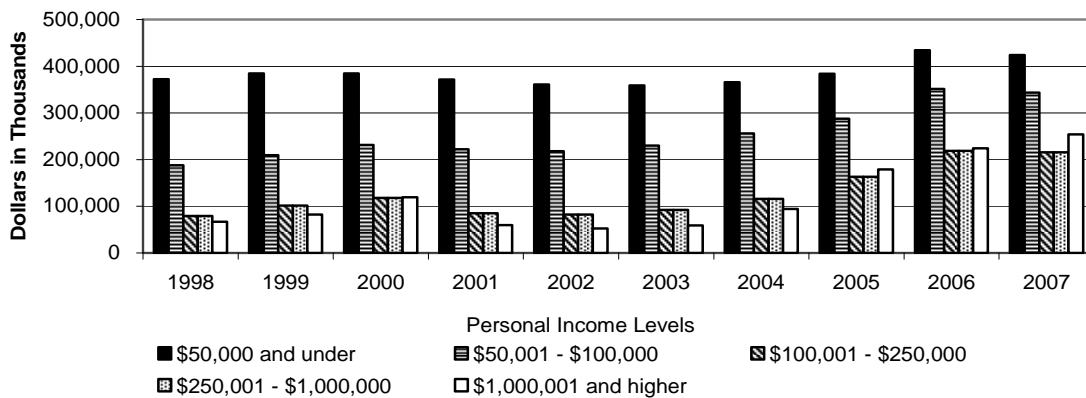
Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2007. Data prior to fiscal year 2002 for fuel tax is not available.

¹ The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

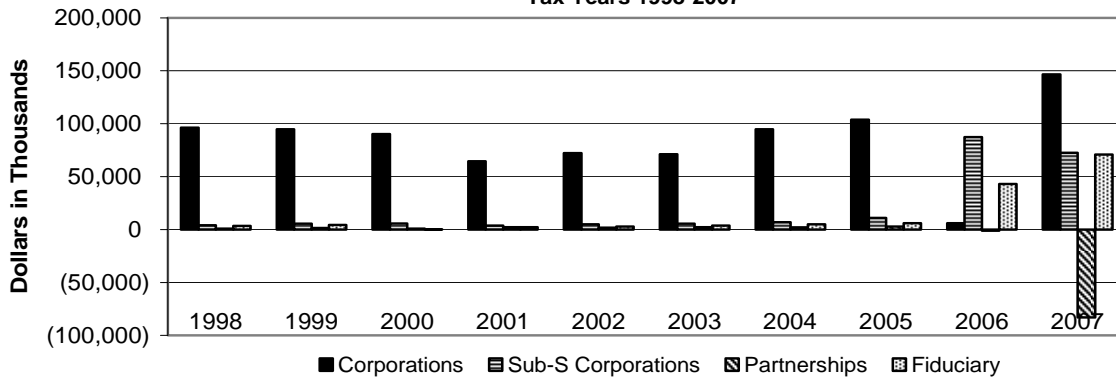
Sales Tax Liabilities by Industry
Fiscal Years 1999-2008



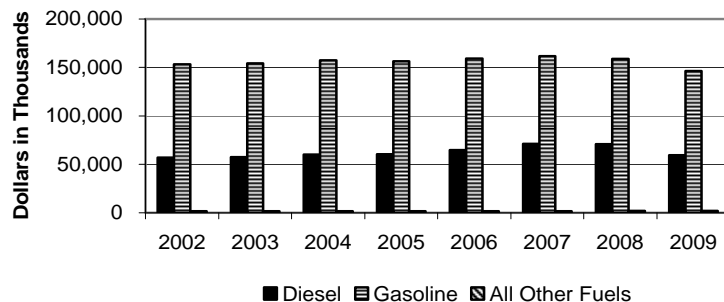
Personal Income Tax Liabilities by Income Level
Calendar Years 1998-2007



Corporate Tax Liabilities
Tax Years 1998-2007



Vehicle Fuel Tax Liabilities
Fiscal Years 2002-2009



Schedule 8 - Ratios of Outstanding Debt

Fiscal Years 2000-2009

(dollars in thousands, except per capita amount)

	2000	2001	2002	2003	2004	2005	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009
Governmental Activities										
Revenue Bonds ¹	\$97,635	\$97,300	\$105,802	\$153,624	\$211,031	\$203,067	\$205,203	\$324,657	\$306,159	\$281,323
Capital Leases ²	3,469	4,417	4,121	3,977	5,915	9,428	13,929	12,209	11,997	11,475
Notes Payable ³					3,167	1,189	3,776	3,679	3,543	5,118
Notes Payable to Component Unit ⁴								25,947	94,643	215,045
Total Governmental Activities	\$101,104	\$101,717	\$109,923	\$157,601	\$220,113	\$213,684	\$222,908	\$366,492	\$416,342	\$512,961
Business-Type Activities										
Revenue Bonds ⁵	\$195,222	\$193,352	\$262,314	\$262,517	\$318,138	\$329,835	\$319,308	\$402,181	\$443,016	\$449,410
Capital Leases	8,759	10,473	11,078	6,464	5,928	1,450	1,709	1,369	1,139	627
Capital Leases to Component Unit ⁶						3,657	3,422	3,172	2,917	2,652
Notes Payable ⁷	8,152	7,747	12,594	12,392	11,841	17,104	16,284	16,802	20,155	50,195
Total Business-Type Activities	\$212,133	\$211,572	\$285,986	\$281,373	\$335,907	\$352,046	\$340,723	\$423,524	\$467,227	\$502,884
Total Primary Government	\$313,237	\$313,289	\$395,909	\$438,974	\$556,020	\$565,730	\$563,631	\$790,016	\$883,569	\$1,015,845
Debt as a Percentage of Personal Income⁸										
	1.1%	1.0%	1.2%	1.3%	1.6%	1.5%	1.4%	1.8%	1.9%	2.1%
Amount of Debt Per Capita⁸	\$245.5	\$241.2	\$299.8	\$327.1	\$407.2	\$406.7	\$395.9	\$540.6	\$590.6	\$660.5

Note: The Idaho Constitution, Article VIII, Section 1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in the long-term liabilities note to the financial statements.

¹From fiscal years 2002 to 2004 and 2006 to 2008, the Idaho State Building Authority issued revenue bonds for state building projects.

²In fiscal year 2006 the increase in capital leases is mainly attributable to new leases for buildings and operating equipment at the Judicial Department and the Department of Fish and Game. The increase in fiscal year 2005 is mainly attributable to new leases for buildings at the Department of Fish and Game.

³In fiscal year 2009 the increase in notes payable is due to a new note payable entered into by the Idaho State Building Authority for recreational improvements to Lava Hot Springs.

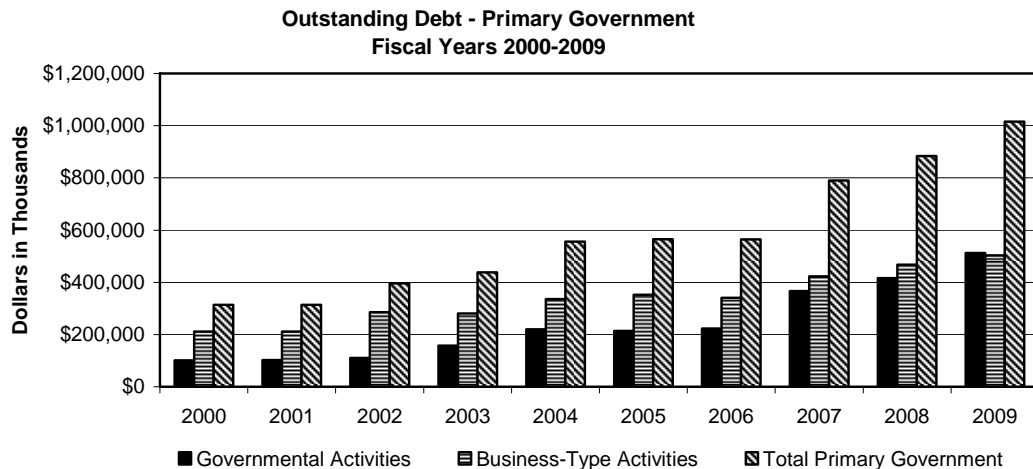
⁴From fiscal years 2007 to 2009 the Idaho Transportation Department issued notes payable to Idaho Housing and Finance Association for road and infrastructure improvements.

⁵In fiscal years 2002, 2004, and from 2007 to 2009 the colleges and universities issued revenue bonds for various projects. In fiscal year 2006 the decrease in revenue bonds was due mainly to the retirement of debt by the colleges and universities.

⁶Prior to fiscal year 2005 capital leases to component units were not reported separately.

⁷In fiscal year 2009 the increase in notes payable is mainly attributable to unemployment compensation loans received from the federal government.

⁸These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2002-2009

(dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009
Governmental Activities								
Compensated Absences	\$52,235	\$51,713	\$52,806	\$54,664	\$56,245	\$56,629	\$56,599	\$54,884
Policy Claim Liabilities	40,645	39,429	35,174	37,263	36,002	17,867	20,164	19,753
Claims and Judgments ¹	49,845	43,468	44,129	36,990	34,486	32,924	139,887	112,935
Net Pension Obligation	19	124	375	621	1,071	1,714	2,375	2,711
Net OPEB Obligation ²							20,018	19,795
Arbitrage Liability ³						901	1,890	180
Total Governmental Activities	\$142,744	\$134,734	\$132,484	\$129,538	\$127,804	\$110,035	\$240,933	\$210,258
Business-Type Activities								
Compensated Absences	\$21,432	\$20,210	\$19,507	\$16,814	\$16,986	\$18,381	\$20,067	\$20,814
Claims and Judgments ⁴	1,726							
Grand Prize Annuities Payable ⁴	74,747							
Net OPEB Obligation ²							7,858	9,210
Arbitrage Liability ⁵							445	528
Total Business-Type Activities	\$97,905	\$20,210	\$19,507	\$16,814	\$16,986	\$18,381	\$28,370	\$30,552
Total Primary Government	\$240,649	\$154,944	\$151,991	\$146,352	\$144,790	\$128,416	\$269,303	\$240,810

Note: Details regarding the liabilities listed above can be found in the long-term liabilities note to the financial statements.

¹In fiscal year 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers.

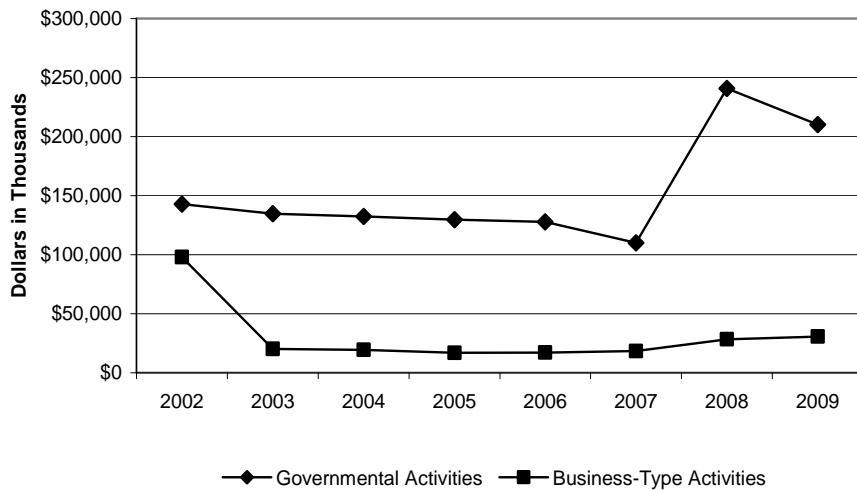
²Net OPEB obligation was not required to be reported prior to fiscal year 2008.

³In fiscal years 2007 to 2009 the Idaho State Building Authority recorded an arbitrage liability.

⁴In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

⁵In fiscal years 2009 and 2008 the colleges and universities recorded an arbitrage liability.

Other Long-Term Liabilities - Primary Government
Fiscal Years 2002-2009



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2000-2009

(dollars in thousands)

	2000	2001	2002	2003	2004	2005	2006
Revenue Bonds - Colleges and Universities¹							
Revenue:							
Student Fees Pledged			\$36,855	\$36,578	\$120,060	\$131,669	\$138,670
Sale of Goods and Services Pledged			29,343	31,288	63,650	66,414	66,000
Other Income Pledged ²							7,178
Less: Operating Expenses			NA	NA	(43,052)	(50,720)	(51,842)
Net Available Revenue			<u>\$66,198</u>	<u>\$67,866</u>	<u>\$140,658</u>	<u>\$147,363</u>	<u>\$160,006</u>
Debt Service: ³							
Principal			\$6,195	\$6,130	\$14,850	\$8,940	\$10,725
Interest			11,059	13,558	14,056	15,220	15,217
Coverage			3.8	3.4	4.9	6.1	6.2
Revenue Bonds - Idaho Water Resources Board⁴							
Revenue:							
Sale of Goods and Services		\$934	\$727	\$863	\$905	\$926	\$876
Interest Earned on Bond Proceeds	\$163	10					
Less: Operating Expenses	(3)	(144)	(235)	(112)	(233)	(191)	(101)
Net Available Revenue	<u>\$160</u>	<u>\$800</u>	<u>\$492</u>	<u>\$751</u>	<u>\$672</u>	<u>\$735</u>	<u>\$775</u>
Debt Service:							
Principal		\$10	\$25	\$40	\$60	\$80	\$100
Interest	\$371	371	371	369	366	363	357
Coverage	0.4	2.1	1.2	1.8	1.6	1.7	1.7
Notes Payable - Idaho Transportation Department⁵							
Revenue:							
Federal Highway Grants ⁶							
State Funds							
Available Revenue							
Debt Service:							
Principal							
Interest							
Coverage							
Notes Payable - Colleges & Universities⁷							
Revenue:							
Student Fees Pledged						\$157	\$147
Available Revenue						<u>\$157</u>	<u>\$147</u>
Debt Service:							
Principal						\$94	\$98
Interest						45	41
Coverage						1.1	1.1

Note: Details regarding the State's outstanding bonds can be found in the long-term liabilities note to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

¹GASB Statement Nos. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue. The colleges and universities are in the process of consolidating all outstanding bonds into a single bond system. The bond covenant was amended to require that fees and charges be established in amounts sufficient to produce pledged revenues each year equal to 120 percent of the debt service for such fiscal year on all bonds outstanding.

²In fiscal year 2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

³The University of Idaho refunded two series 1994 issues in fiscal year 2003; Idaho State University issued new bonds in the amount of \$35.9 million in fiscal year 2004; Boise State University and the University of Idaho partially refunded nine issues in fiscal year 2005; Boise State University issued new bonds in the amount of \$96.4 million and partially refunded three issues in fiscal year 2007; and Boise State University refunded three bond issues in fiscal year 2009, accounting for the changes in debt service.

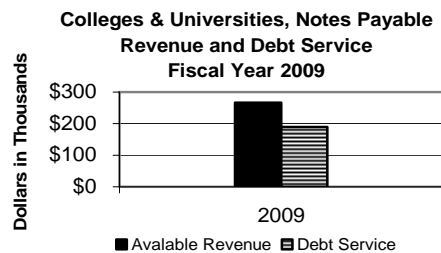
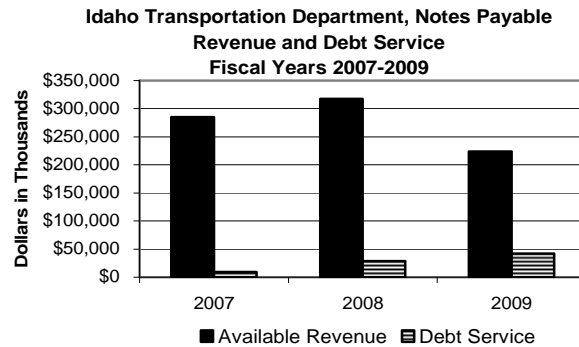
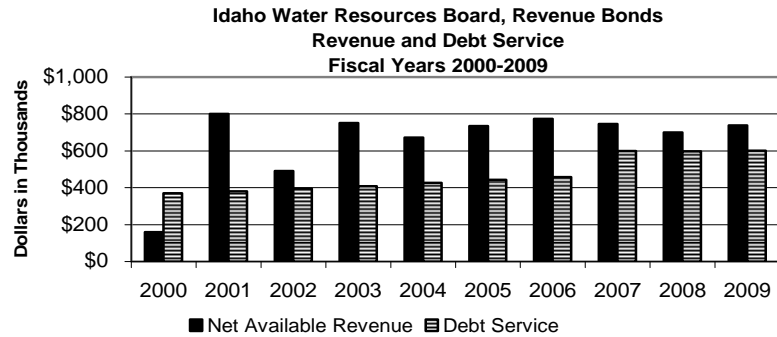
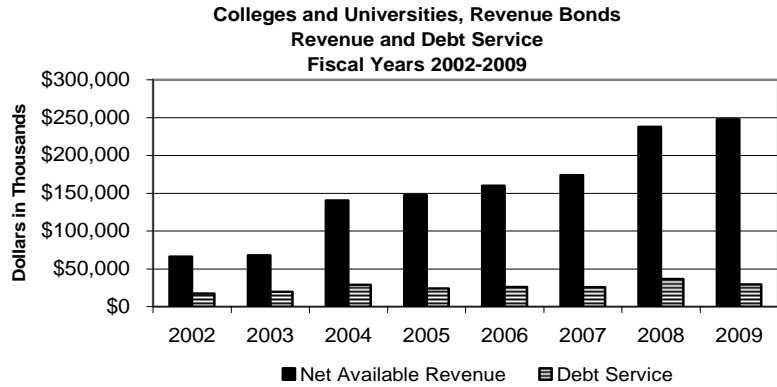
⁴In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments. In fiscal year 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, and thus accounting for the increase in debt service for fiscal year 2007.

⁵From fiscal years 2007 to 2009 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance improvements to various roads and related infrastructure within the State.

⁶In fiscal year 2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, decreased construction costs, and the related reimbursement of federal awards.

⁷In fiscal year 2009 Lewis-Clark State College issued a note payable in the amount of \$4.5 million. In fiscal year 2004 Lewis-Clark State College issued a note payable in the amount of \$1.1 million; the first payment was due in fiscal year 2005.

2007	2008	2009
\$144,471	\$179,630	\$197,711
71,770	85,348	84,327
9,867	31,174	25,337
(52,020)	(58,259)	(59,487)
<u>\$174,088</u>	<u>\$237,893</u>	<u>\$247,888</u>
\$11,890	\$15,610	\$9,755
13,728	20,793	19,473
6.8	6.5	8.5
\$908	\$816	\$886
(162)	(117)	(149)
<u>\$746</u>	<u>\$699</u>	<u>\$737</u>
\$290	\$305	\$325
310	294	277
1.2	1.2	1.2
\$282,848	\$313,917	\$221,084
2,227	3,470	2,656
<u>\$285,075</u>	<u>\$317,387</u>	<u>\$223,740</u>
\$2,426	\$20,240	\$30,589
6,766	8,245	11,787
31.0	11.1	5.3
\$148	\$148	\$266
<u>\$148</u>	<u>\$148</u>	<u>\$266</u>
\$102	\$106	\$127
37	33	63
1.1	1.1	1.4



Schedule 11 - Demographic and Economic Indicators
Calendar Years 2000-2009

	2000	2001	2002	2003	2004	2005	2006
Population							
Idaho (<i>in thousands</i>)	1,299	1,321	1,342	1,366	1,391	1,424	1,461
Change	1.8%	1.7%	1.6%	1.8%	1.9%	2.4%	2.6%
National (<i>in thousands</i>)	282,808	285,734	288,560	291,301	293,990	296,719	299,566
Change	1.1%	1.0%	1.0%	0.9%	0.9%	0.9%	1.0%
Total Personal Income¹							
Idaho (<i>in billions</i>)	\$31	\$33	\$34	\$35	\$38	\$41	\$44
Change	7.6%	5.6%	2.4%	2.9%	9.4%	7.3%	8.7%
National (<i>in billions</i>)	\$8,559	\$8,883	\$9,060	\$9,378	\$9,937	\$10,486	\$11,268
Change	8.2%	3.8%	2.0%	3.5%	6.0%	5.5%	7.5%
Per Capita Personal Income²							
Idaho	\$24,086	\$25,028	\$25,222	\$25,497	\$27,375	\$28,687	\$30,370
Change	5.7%	3.9%	0.8%	1.1%	7.4%	4.8%	5.9%
National	\$30,266	\$31,089	\$31,398	\$32,194	\$33,801	\$35,339	\$37,615
Change	8.5%	2.7%	1.0%	2.5%	5.0%	4.6%	6.4%
Median Age - Idaho	33.2	33.4	33.5	33.7	33.9	34.1	34.2
Educational Attainment							
8th Grade or Less	7.4%	4.7%	4.7%	5.2%	5.2%	4.5%	4.3%
Some High School, No Diploma	12.9%	9.1%	9.1%	10.1%	10.1%	7.6%	8.4%
High School Diploma	30.4%	31.5%	31.5%	28.5%	28.5%	29.7%	28.3%
Some College, No Degree	24.2%	25.7%	25.7%	27.3%	27.3%	26.1%	27.0%
Associate, Bachelor or Graduate Degree	25.1%	29.0%	29.0%	28.9%	28.9%	32.1%	32.0%
Resident Civilian Labor Force and Employment in Idaho							
Civilian Labor Force	662,957	677,855	683,184	688,999	703,851	725,216	741,708
Employed	632,451	644,816	646,142	652,627	670,746	697,192	718,268
Unemployed	30,506	33,039	37,042	36,372	33,105	28,024	23,440
Unemployment Rate	4.6%	4.9%	5.4%	5.3%	4.7%	3.9%	3.2%
Nonfarm Wage and Salary Workers Employed in Idaho							
Goods Producing Industries							
Mining	2,347	1,973	1,759	1,785	1,932	2,161	2,374
Logging and Wood Products	11,567	9,849	9,553	9,046	9,295	9,619	10,036
Construction	36,505	37,861	36,469	36,740	39,844	45,146	52,084
Manufacturing-Durable Goods	35,840	35,250	32,767	30,903	31,253	32,492	34,575
Manufacturing-Nondurable Goods	25,625	25,294	24,484	23,913	23,132	22,930	23,238
Total Goods Producing Industries	111,884	110,227	105,032	102,387	105,456	112,348	122,307
Non-Goods Producing Industries							
Trade	100,169	98,088	97,344	97,122	99,134	103,682	107,473
Service	238,281	249,577	253,630	260,020	269,020	280,752	292,731
State and Local Government	94,745	96,862	98,488	99,396	101,144	101,862	103,521
Federal Government	13,502	13,280	13,552	13,625	13,314	13,081	12,876
Total Non-Goods Producing Industries	446,697	457,807	463,014	470,163	482,612	499,377	516,601
Total Nonfarm Wage and Salary Employment	558,581	568,034	568,046	572,550	588,068	611,725	638,908

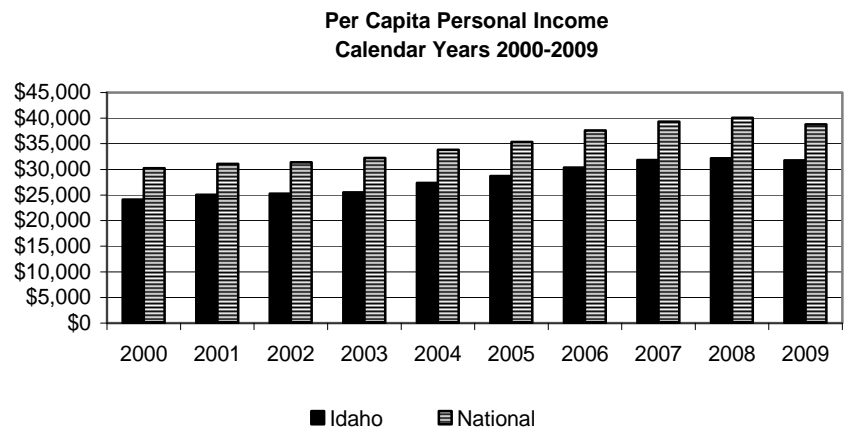
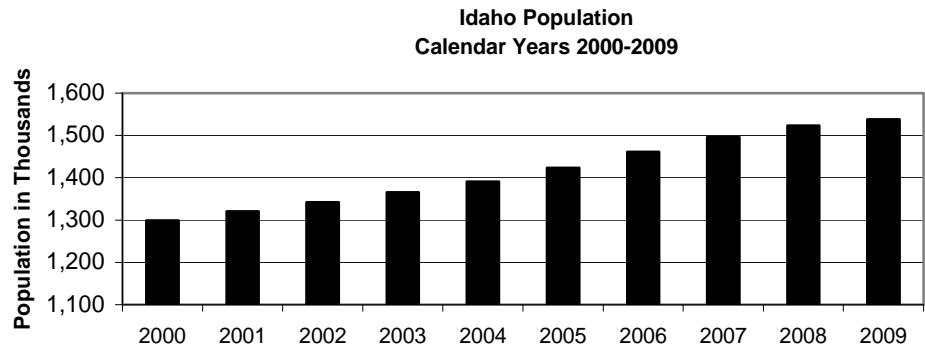
Sources: Idaho Division of Financial Management, Idaho Department of Labor, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

Note: Amounts for calendar years 2008 and 2009 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and Labor Statistics.

¹Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

²Per capita personal income is calculated by dividing total personal income by population.

2007	2008	2009
1,496	1,523	1,538
2.4%	1.8%	1.0%
302,410	305,365	308,356
0.9%	1.0%	1.0%
\$48	\$49	\$49
7.1%	2.4%	-0.2%
\$11,894	\$12,239	\$11,962
5.6%	2.9%	-2.3%
\$31,807	\$32,148	\$31,760
4.7%	1.1%	-1.2%
\$39,331	\$40,079	\$38,794
4.6%	1.9%	-3.2%
34.3	34.4	34.5
4.5%	4.5%	3.9%
8.7%	8.2%	7.8%
29.7%	30.1%	29.9%
25.8%	25.4%	25.4%
31.3%	31.8%	33.0%
748,710	754,878	753,193
726,091	718,097	686,159
22,619	36,781	67,034
3.0%	4.9%	8.9%
2,668	2,761	2,068
9,581	8,083	6,075
52,631	45,349	36,117
34,621	31,894	26,407
23,865	24,588	23,870
123,366	112,675	94,537
111,659	110,471	103,994
304,485	306,902	298,496
103,967	106,176	107,616
12,816	13,205	13,077
532,927	536,754	523,183
656,293	649,429	617,720



Schedule 12 - Principal Employers
Current Year and Nine Years Ago

	As of June 30, 2000			As of June 30, 2009		
	Number of	Rank	Percent of	Number of	Rank	Percent of
Major Idaho Employers	Employees		Total State	Employees		Total State
			Employment			Employment
State of Idaho ¹	17,000-17,500	1	2.7	18,500-19,000	1	2.7
Federal Government	13,000-13,500	2	2.1	13,000-13,500	2	1.9
Micron Technology, Inc.	13,000-14,000	3	2.1	7,500-8,000	3	1.1
Wal-Mart Associates, Inc.	4,500-5,000	9	0.8	7,000-7,500	4	1.1
St Luke's Regional Medical Center	4,500-5,000	10	0.8	5,500-6,000	5	0.8
Meridian Joint School District #2				4,500-5,000	6	0.7
Albertsons, Inc.	9,000-9,500	5	1.5	4,000-4,500	7	0.6
Independent School District of Boise City	5,500-6,000	8	0.9	3,500-4,000	8	0.5
Battelle Energy Alliance LLC	9,000-9,500	4	1.5	3,500-4,000	9	0.5
Brigham Young University-Idaho				3,500-4,000	10	0.5
J.R. Simplot Co.	6,500-7,000	6	1.1	3,000-3,500	11	0.5
St Alphonsus Regional Medical Center				3,000-3,500	12	0.5
Hewlett-Packard Co.	5,500-6,000	7	0.9			
Total	90,250		14.4	79,500		11.4

Source: Idaho Department of Labor, except state employees, which are from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given. Lockheed Idaho operated the Idaho National Laboratory (formerly Idaho National Engineering and Environmental Laboratory) for the Department of Energy until October 1, 1999, when Battelle Energy Alliance LLC (formerly known as Bechtel BWXT Idaho) took over as the contractor.

¹ Number of state employees includes only full-time personnel.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 1999/00-2008/09

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Elementary	131,348	131,835	132,406	133,501	135,216	137,579	141,898	146,224	150,068	151,865
Secondary	113,878	113,174	114,009	115,014	116,821	118,425	120,009	121,309	121,990	123,210
Total All Grades	245,226	245,009	246,415	248,515	252,037	256,004	261,907	267,533	272,058	275,075

Source: Idaho Department of Education

Public Higher Education Enrollment

Student Headcount (Calendar Years 2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Boise State University	16,482	17,176	17,688	18,431	18,418	18,650	18,880	19,542	19,670	18,936
Idaho State University	13,037	13,663	13,352	13,625	13,803	13,977	12,679	13,362	12,644	13,493
University of Idaho	11,635	12,067	12,423	12,894	12,824	12,476	11,739	11,636	11,791	11,957
Lewis-Clark State College	2,696	2,952	2,967	3,228	3,145	3,222	3,211	3,269	3,334	3,521
Eastern Idaho Technical College	595	598	702	860	788	753	758	762	768	870
Total Colleges and Universities	44,445	46,456	47,132	49,038	48,978	49,078	47,267	48,571	48,207	48,777

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function
Fiscal Years 2000-2009

Full-Time Employees

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Tax Commission	408	400	389	370	391	383	387	389	392	393
Department of Administration	153	158	167	162	153	157	153	164	138	142
All Other	1,000	1,050	1,075	1,054	1,025	1,069	1,069	1,093	1,144	1,161
Public Safety and Correction										
Department of Correction	1,291	1,302	1,381	1,345	1,365	1,407	1,454	1,516	1,560	1,586
Idaho State Police	440	451	469	451	454	455	462	467	469	485
Department of Juvenile Corrections	265	267	320	320	327	328	333	342	350	396
All Other	350	351	348	344	321	333	333	339	336	349
Health and Human Services										
Department of Health and Welfare ¹	3,289	2,806	2,814	2,658	2,657	2,687	2,764	2,885	2,917	2,922
Education										
Colleges and Universities	5,368	5,658	5,973	5,857	5,723	5,776	5,878	6,004	6,063	6,124
All Other	508	511	524	499	517	538	540	480	456	468
Economic Development										
Idaho Transportation Department	1,763	1,760	1,774	1,773	1,786	1,774	1,745	1,717	1,726	1,758
Department of Commerce and Labor ²					584	580	553	496		
Department of Labor ²	450	453	464	472					440	436
Department of Agriculture	340	320	309	296	305	281	302	307	301	293
All Other	504	723	774	785	712	819	840	840	933	932
Natural Resources										
Department of Environmental Quality ¹		331	351	350	353	352	345	352	356	365
Department of Fish and Game	469	468	481	494	504	497	500	506	502	513
Department of Lands	218	214	206	218	221	231	225	234	244	242
Department of Parks and Recreation	133	139	136	141	137	147	146	141	146	155
All Other	183	192	191	186	160	182	182	181	193	195
State Total	17,132	17,554	18,146	17,775	17,695	17,996	18,211	18,453	18,666	18,915

Part-Time and Temporary Employees³

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	354	359	357	364	346	356	363	361	405	334
Public Safety and Correction	203	207	183	188	187	186	207	195	223	192
Health and Human Services ¹	979	660	710	614	671	589	654	591	620	400
Education	2,909	2,815	2,724	2,960	2,766	2,779	2,638	2,740	3,347	2,880
Economic Development	739	924	947	886	970	984	936	900	896	907
Natural Resources ¹	464	517	549	529	548	591	590	608	686	603
State Total	5,648	5,482	5,470	5,541	5,488	5,485	5,388	5,395	6,177	5,316

Source: Office of the Idaho State Controller.

¹In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

²In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor. In fiscal year 2008 legislative action separated the Department of Commerce from the Department of Labor.

³Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Calendar/Fiscal Years 2000-2009

	2000	2001	2002	2003	2004	2005	2006
General Government							
Tax Commission							
Number of Returns Filed (<i>in thousands</i>)	1,900	1,909	1,886	1,981	2,046	2,117	2,204
Number of Returns Filed Electronically	98,085	130,855	156,400	212,486	258,295	310,089	344,664
Department of Administration							
Construction Projects Administered	291	276	250	200	143	186	424
Employees Covered by Benefit Plans	18,589	18,841	19,115	19,250	18,076	18,495	18,829
Public Safety and Correction							
Department of Correction¹							
Incarcerated Offenders	5,002	5,452	5,802	5,825	6,312	6,526	6,976
Supervised Offenders	7,356	7,945	8,473	9,346	9,955	10,926	11,825
Idaho State Police							
Drug Related Arrests ²	886	845	733	821	967	779	598
DUI Arrests ²	1,835	1,764	1,640	1,723	1,708	1,461	817
All Other Arrests ²	1,055	1,015	896	960	1,098	849	724
Department of Juvenile Corrections							
Number of Juveniles in the System	843	848	804	726	676	709	725
Rate of Recombitment to DJC Custody ³	NA	10.0%	6.0%	8.2%	11.4%	15.2%	11.0%
Health and Human Services							
Department of Health and Welfare¹							
Medicaid Enrollees ⁴	101,809	129,484	147,726	158,672	169,511	178,694	178,858
Percent of Population	8.1%	10.0%	11.2%	11.8%	12.4%	12.8%	12.5%
Food Stamp Recipients	58,246	59,601	71,478	84,066	92,963	94,956	91,032
Percent of Population	4.7%	4.6%	5.4%	6.3%	6.8%	6.8%	6.4%
Education							
Colleges and Universities¹							
Enrollment	44,445	46,456	47,132	49,038	48,978	49,078	47,267
Number of Certificates and Degrees Awarded ⁵	6,875	7,138	7,085	7,935	8,193	8,546	8,262
Economic Development							
Idaho Transportation Department							
Percent of Pavement Which is Deficient ¹	18%	18%	15%	16%	19%	19%	19%
Vehicles Weighed (<i>in thousands</i>)	2,150	2,460	2,490	2,340	2,630	2,760	3,090
Department of Labor							
Individuals Registered for Employment (<i>in thousands</i>)	160	166	174	192	191	206	184
Job Openings Received	86,837	79,443	69,677	56,802	68,533	83,951	101,502
Department of Agriculture							
Conduct Disease Tests on Animals (<i>in thousands</i>)	322	331	277	381	423	254	119
Inspections of Dairy and Egg Farms	4,285	4,279	4,391	4,464	4,251	5,683	6,022
Natural Resources							
Department of Fish and Game							
Citations and Warnings Issued	6,087	5,071	5,094	5,359	5,744	4,681	4,790
Hatchery Fish Raised (<i>in thousands</i>) ²	40,698	32,735	32,348	27,859	38,099	41,740	40,649
Hunting and Fishing Licenses Sold (<i>in thousands</i>) ²	571	552	542	532	527	540	521
Department of Environmental Quality⁶							
Air Quality Sites Monitored	55	64	67	70	64	37	42
Water Sites Monitored ⁷	267	510	500	436	442	673	658
Department of Lands¹							
Forest Products Harvested (<i>in million board feet</i>)	270	223	200	170	254	188	206
Fires Responded to on IDL Land	310	410	319	362	292	228	445
Department of Parks and Recreation							
Park Visitation (<i>in thousands</i>) ^{1, 2, 8}	2,637	2,415	2,582	2,489	2,358	2,648	2,738
Recreational Registrations (<i>in thousands</i>) ⁸	184	192	188	216	233	237	256

Sources: Idaho Division of Financial Management; Idaho State Police; Idaho State Tax Commission; and the Idaho Departments of Administration, Health and Welfare, Correction, Fish and Game, Environmental Quality, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years 2008 and 2009 are estimates, unless otherwise noted, below.

¹Operating indicators for 2008 are actual amounts, not estimates.

²Operating indicators are reported on a calendar year basis.

³In fiscal year 2001 the Department of Juvenile Corrections instituted new performance measures.

⁴In fiscal year 2007 the Department of Health and Welfare changed the way Medicaid enrollees were calculated.

⁵Number of certificates and degrees awarded includes Eastern Idaho Technical College beginning in fiscal year 2003.

⁶In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

⁷In fiscal year 2009 the Department of Environmental Quality suspended surface water monitoring activities due to the fiscal year 2009 budget cuts.

⁸Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

2007	2008	2009
------	------	------

2,180 2,292 2,220
385,581 436,016 457,022

538 529 443
19,045 19,319 19,507

7,357 7,338 7,283
12,581 13,361 13,756

989 850 895
1,744 1,654 1,977
811 1,278 1,281

710 744 659
11.6% 11.7% 18.4%

184,508 184,465 191,989
12.6% 12.3% 12.6%
86,946 95,433 124,826
5.9% 6.4% 8.2%

48,571 48,207 48,777
8,619 8,378 8,635

20% 19% 20%
2,800 2,700 2,400

175 223 284
96,239 77,012 46,967

208 303 368
4,374 3,933 4,130

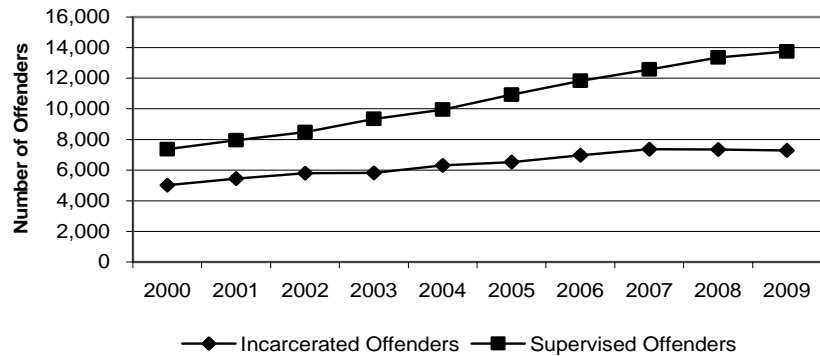
6,140 5,411 5,435
35,502 29,573 22,676
573 537 571

35 31 42
506 610 0

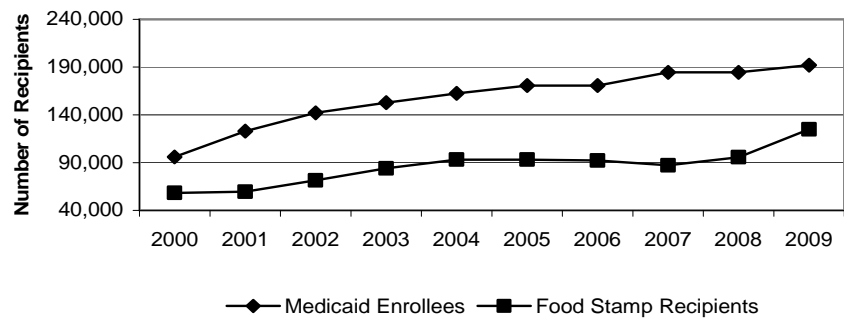
215 225 229
349 247 NA

4,248 4,203 NA
273 274 NA

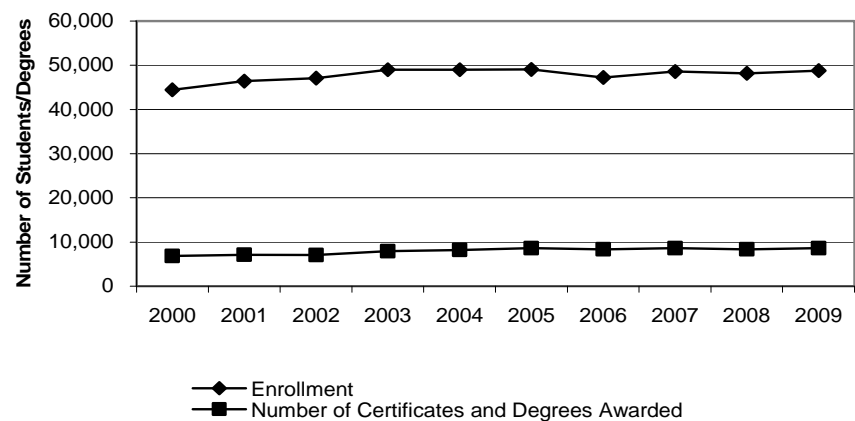
Department of Correction - Adult Offenders
Fiscal Years 2000-2009



Department of Health and Welfare
Medicaid Enrollees and Food Stamp Recipients
Fiscal Years 2000-2009



Colleges and Universities - Enrollment and
Degrees Awarded
Fiscal Years 2000-2009



Schedule 16 - Capital Asset Statistics by Function

Fiscal Years 2000-2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
Department of Administration										
Buildings <i>(square footage in thousands)</i>	647	661	661	661	661	733	741	741	728	728
Public Safety and Correction										
Department of Correction										
Buildings	78	78	80	81	82	84	84	87	88	89
Vehicles	204	257	285	301	330	334	339	353	392	342
Idaho State Police										
Vehicles	199	280	360	403	454	425	422	441	431	443
Machinery and Equipment	530	626	699	720	807	812	783	846	867	928
Department of Juvenile Corrections										
Buildings <i>(square footage in thousands)</i>	199	199	252	252	252	252	252	252	250	250
Vehicles	29	32	39	41	46	53	53	52	54	53
Health and Human Services										
Department of Health and Welfare										
Buildings <i>(square footage in thousands)</i>	893	951	951	928	928	928	928	914	914	978
Vehicles	618	589	588	582	518	490	517	539	518	520
Education										
Colleges and Universities										
Buildings <i>(square footage in thousands)</i>	10,496	10,868	11,396	11,358	11,743	11,919	12,265	12,539	12,890	13,556
Economic Development										
Idaho Transportation Department										
Highway Lane Miles ¹	11,756	11,779	11,831	11,819	11,852	11,874	11,874	11,877	11,930	11,944
Vehicles	98	95	95	109	112	97	96	96	96	96
Heavy Equipment	522	530	530	551	545	552	585	585	589	589
Department of Agriculture										
Scientific and Laboratory Equipment	122	125	136	142	145	147	156	162	165	176
Vehicles	90	108	134	140	158	166	191	209	201	195
Natural Resources										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	19	19	19	22	22
Vehicles	304	381	467	610	722	766	692	646	621	670
Boats	241	256	274	288	302	302	296	289	286	287
Wildlife Management Areas	33	33	33	33	33	33	33	33	33	33
Department of Environmental Quality										
Air Monitoring Instruments	150	172	192	199	125	126	131	119	124	166
Water Sampling/Quality Equipment	213	224	271	276	82	88	94	87	88	76
Department of Lands										
Acres of Land <i>(in thousands)</i> ¹	2,310	2,400	2,461	2,464	2,462	2,460	2,460	2,460	2,461	2,460
Vehicles	223	251	297	332	361	341	346	353	351	350
Department of Parks and Recreation										
State Parks	32	33	33	34	34	34	34	35	35	35
Acres of State Park Land <i>(in thousands)</i>	56	56	56	58	58	58	58	59	59	59
Buildings	237	253	258	261	274	281	287	316	321	320
Vehicles	169	192	208	223	232	240	257	288	312	343

Sources: Office of the Idaho State Controller; Idaho Departments of Correction, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital asset intensive.

¹Highway lane miles and acres of land for fiscal year 2009 are based on estimates.



*State of Idaho***Schedule 17 - Assets, Liabilities, and Fund Balances****General Fund Accounts****June 30, 2009***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash and Cash Equivalents	\$2				
Pooled Cash and Investments	27,694	\$115,237	\$197,052	\$126	\$47,770
Investments		9,614		75,841	894
Securities Lending Collateral	437,634	4,774			444
Accounts Receivable, Net	665	8		16,058	
Taxes Receivable, Net	207,211	3,711			397
Interfund Receivables		6,338			
Inventories and Prepaid Items	2,660	310		73	54
Loans, Notes, and Pledges Receivable, Net					
Other Assets	3	56			5
Restricted Assets:					
Cash and Cash Equivalents					
Investments				65,282	
Total Assets	\$675,869	\$140,048	\$197,052	\$157,380	\$49,564
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$12,600	\$12,987			\$52
Payroll and Related Liabilities	10,557	88	\$29	\$10	11
Interfund Payables	1,627		12		
Due to Other Entities					
Deferred Revenue	57,979	26		16,058	8
Amounts Held in Trust for Others	185				
Obligations Under Securities Lending	437,634	4,774			444
Other Accrued Liabilities	203	10,127			1
Total Liabilities	520,785	28,002	41	16,068	516
Fund Balances					
Reserved for:					
Encumbrances	13,247	180	416		19,538
Inventories and Prepaid Items	2,660	310		73	54
Noncurrent Receivables					
Permanent Trusts				1,734	
Other Purposes				65,282	
Unreserved, Reported in:					
General Fund	139,177	111,556	196,595	74,223	29,456
Total Fund Balances	155,084	112,046	197,011	141,312	49,048
Total Liabilities and Fund Balances	\$675,869	\$140,048	\$197,052	\$157,380	\$49,564

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
					\$897	\$899
\$33,425	\$1,948	\$3	\$3,162	(\$7,727)	68,464	487,154
						86,349
						442,852
				680	1	17,412
13,705	28,390				222	253,636
					332	6,670
				5,740	61	8,898
					2,963	2,963
					56	120
2,381						2,381
						65,282
\$49,511	\$30,338	\$3	\$3,162	(\$1,307)	\$72,996	\$1,374,616
	\$68			\$70	\$117	\$25,894
			\$107	67	331	11,200
					(42)	1,597
\$33,426						33,426
1,350	15,052			26		90,499
						185
						442,852
		(\$57)			10,673	20,947
34,776	15,120	(57)	107	163	11,079	626,600
					1,679	35,060
				5,740	61	8,898
					3,264	3,264
						1,734
2,381						67,663
12,354	15,218	60	3,055	(7,210)	56,913	631,397
14,735	15,218	60	3,055	(1,470)	61,917	748,016
\$49,511	\$30,338	\$3	\$3,162	(\$1,307)	\$72,996	\$1,374,616

*State of Idaho***Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances****General Fund Accounts****For the Fiscal Year Ended June 30, 2009***(dollars in thousands)*

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	\$1,001,231	\$5,000			
Individual and Corporate Taxes	1,313,250	6,850			\$300
Other Taxes	23,686	28,888			4,805
Licenses, Permits, and Fees	12,271	1			1,643
Sale of Goods and Services	1,685	119			1,208
Grants and Contributions					69
Investment Income	24,329	7,603	\$1,662	(\$6,980)	4,133
Tobacco Settlement				30,965	
Other Income	1,107	206			114
Total Revenues	2,377,559	48,667	1,662	23,985	12,272
EXPENDITURES					
Current:					
General Government	85,166	31,338	50	1,696	372
Public Safety and Correction	246,948			524	1,427
Health and Human Services			51	1,961	1,848
Education	127,636	303			1,445,858
Economic Development	22,928				353
Natural Resources	25,165		400		
Capital Outlay	23,313	97,020	4,922		192
Intergovernmental Revenue Sharing	23,213				
Debt Service:					
Principal Retirement	168	140			
Interest and Other Charges	23,966	271			3
Total Expenditures	578,503	129,072	5,423	4,181	1,450,053
Revenues Over (Under) Expenditures	1,799,056	(80,405)	(3,761)	19,804	(1,437,781)
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	22				
Sale of Capital Assets	235	1			
Transfers In	140,269	11,278	2	397	1,353,651
Transfers Out	(2,204,829)	(1,829)	(12,400)	(396)	(20,295)
Total Other Financing Sources (Uses)	(2,064,303)	9,450	(12,398)	1	1,333,356
Net Changes in Fund Balances	(265,247)	(70,955)	(16,159)	19,805	(104,425)
Fund Balances - Beginning of Year, as Restated	420,331	183,001	213,170	121,507	153,473
Fund Balances - End of Year	\$155,084	\$112,046	\$197,011	\$141,312	\$49,048

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$160,090					\$3,681		\$1,170,002
					5,596		1,325,996
							57,379
		\$139		\$86	4,479		18,619
			\$10	24	5,424		8,470
					5,234		5,303
		272			1,786		32,805
							30,965
		3,060		2,587	21,692		28,766
160,090		3,471	10	2,697	47,892		2,678,305
	\$6,588		6,310	86	8,511		140,117
					576		249,475
		26,677					30,537
					35,340		1,609,137
				255	1,163		24,699
				13,739	1,946		41,250
			161	240	254		126,102
160,939	301				7,653		192,106
					11		319
							24,240
160,939	6,889	26,677	6,471	14,320	55,454		2,437,982
(849)	(6,889)	(23,206)	(6,461)	(11,623)	(7,562)		240,323
							22
							236
	20,000	23,268	6,349	569	54,812	(\$1,457,260)	153,335
	(12,928)				(29,824)	1,457,260	(825,241)
	7,072	23,268	6,349	569	24,988		(671,648)
(849)	183	62	(112)	(11,054)	17,426		(431,325)
15,584	15,035	(2)	3,167	9,584	44,491		1,179,341
\$14,735	\$15,218	\$60	\$3,055	(\$1,470)	\$61,917		\$748,016

Schedule 19 - Miscellaneous Statistics

		TWENTY LARGEST COMMUNITIES IN IDAHO	
State Capital	Boise	Boise	205,314
Admitted to the Union	July 3, 1890	Nampa	80,362
Nickname	The Gem State	Meridian	66,916
Motto	Esto Perpetua (Let It Be Perpetual)	Pocatello	54,901
Population	1,538,100	Idaho Falls	54,334
Highest Elevation Point	Mt. Borah	Coeur d'Alene	43,360
	12,662 Feet Above Sea Level	Caldwell	42,331
Lowest Elevation Point	Snake River, Lewiston	Twin Falls	42,197
	770 Feet Above Sea Level	Lewiston	31,764
Number of Lakes	More Than 2,000	Rexburg	28,028
State Bird	Mountain Bluebird	Post Falls	26,460
State Fish	Cutthroat Trout	Moscow	22,798
State Flower	Syringa	Eagle	19,471
State Gem Stone	Idaho Star Garnet	Ammon	13,646
State Horse	Appaloosa	Kuna	13,354
State Insect	Monarch Butterfly	Hayden	12,873
State Song	"Here We Have Idaho"	Mountain Home	12,382
State Tree	Western White Pine	Garden City	11,713
		Chubbuck	11,828
		Blackfoot	11,012

Sources: *Idaho Blue Book*, 2009-2010

Idaho Economic Forecast, July 2009 (Population)

Source: *Idaho Fiscal Facts 2009*

LAND AREA AND USE	
(in square miles)	
Total Area	83,557
Land Area	82,677
Water Area	880
Federal Land	52,724
Total Non-Federal Land	30,833
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Sources: *Idaho Blue Book*, 2009-2010

Idaho Fiscal Facts 2009

IDAHO COMMODITY RANKINGS		
Commodity	U.S. Rank	U.S. %
Potatoes	1	29
Austrian Winter Peas	2	51
Wrinkled Seed Peas	2	25
Barley	2	21
Sugarbeets	2	18
All Mint	3	17
Hops	3	8
Lentils	4	13
Dry Edible Peas	4	3
Dry Edible Beans	5	6
Sweet Cherries	6	1
All Hay	9	4
All Wheat	10	4
Apples	18	1

Source: *Idaho Fiscal Facts 2009*

Architecture for Generations to Come

One of the companies hired to work on the expansion wings, McAlvain Construction of Idaho, employed 100 percent of its workforce for the project locally (including subcontractors).

Ninety-five percent of the materials used for the core and shell portion of the underground wings came from local Idaho sources.

Prior to the addition of the underground wings, the Capitol had a total floor area of 201,720 square feet. The new wings will add another 50,000 square feet.



During excavation, several treasures were found. Some of them include a time capsule, a pre-Civil War cannon, the basement of an old school, the old Ada County Courthouse foundation, and three layers of sidewalk.



New energy-efficient windows saved over \$250,000 in lieu of re-installing the old single-pane originals.



View of dome from garden level expansion wing (initial stages of construction).



View of dome from garden level expansion wing (final stages of construction).



The Idaho State Capitol is scheduled to re-open in January 2010. For more information, history, or photos of the Capitol, please visit: www.capitolcommission.idaho.gov



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Photos courtesy of the Idaho Capitol Commission